The MAGAZINE of WALL STREET

BANKING EDITOR
H. PARKER WILLIS

EDITOR
RICHARD D. WYCKOFF

MANAGING EDITOR
E. D. KING

THE OUTLOOK

More Attacks on Speculation—Prospective Business Conditions and the Effect of Political Jobbery—England's Unexpected Guest—The Market Prospect

MANY people had supposed that the Attorney - General of the United States had practically completed his attacks on "speculation" as embodied in the operations of the New York Sugar & Coffee Exchange. To such as have entertained that supposition, Mr. Daugherty's new brief, filed with the Supreme Court, must be disappointing. It is of special interest, however, because it represents a further development of the thought of the Administration as regards this whole question of speculative activity. It may well be pondered by those who want to understand the attitude of those who are in power at Washington as regards the management of national business.

What Mr. Daugherty now says is that the effect of speculation is to bring about a control of commodity prices which is harmful or injurious to the community. As he puts it, the influence in this case is to alter or affect the prices that are paid for raw sugar to the producer and those that are paid for refined sugar by the consumer. If such alteration were in the direction of justice and equity, it would be hard to see why the Department of Justice should object to them. Plainly then, that Department must be under the impression that the changes made will impair the position of the consumer or producer, and that one or both of these factors in the community is likely to be hurt through the operation of the speculative machinery.

Unless some evidence can be furnished for this point of view, it would be as well not to put it into legal form. The subject is an old one, thoroughly threshed over and discussed. Conclusions reached by the best thinkers on the subject are to the effect that speculation is an economic process, which, when legitimately conducted, is beneficial to the community as a whole, and should be permitted to continue because of its desirable regulating influence upon prices, tending as it does to eliminate extreme fluctuations and to render actual changes in prices less sudden as well as more equable all around. Experience shows that this is the outcome of speculation in its best forms, its influence then being that of distributing the risk among those who are best able to bear it.

Undoubtedly, there is illegitimate speculation. No one who is familiar with conditions under which speculative activity exists could deny this statement, and no one so familiar could question that such illegitimate speculation occurs, all efforts to the contrary notwithstanding, in the principal exchanges of every kind throughout the country. The existence of such speculation does not palliate or defend it, but on the contrary furnishes a good reason for the undertaking of measures designed, so far as practicable, to eliminate it. There is the same absurdity in any proposal which would destroy all speculation because some of it is bad or injurious, that there is in any plan to eliminate the entire body of transactions of a certain kind because in representative cases they have proven doubtful or harmful owing to the use of improper methods. Elimination of evils in speculation, moreover, should be attained through the application of proper methods. These are fundamentally the use of the powers of the state within which the speculative activity exists, as well as the authority which is retained by those who conduct the various exchanges. It would be only in the event of complete failure on the part of

these qualified authorities that the Federal Government would be warranted in attempting to take their place.

And yet such intervention is the precise course of action upon which Attorney-General Daugherty has determined. He originally demanded the complete abolition of the Sugar & Coffee Exchange because, he said, some injurious transactions had occurred there. He now asserts that all transactions occuring there tend to control prices and hence are harmful to the public interest. No such point of view can be maintained, but, on the contrary, there is every reason to suppose that the operations of the exchange, even from the point of view of Mr. Daugherty himself, may tend to help some members of the trading community. His argument, in short, is without logical foundation; and is, besides, inconsistent with itself as between the dates at which he has filed his various briefs in this matter. Is it too much to hope that the Department of Justice may get its own consent to the adoption of a different point of view, more in harmony with the facts, and less inclined to act as a means of conciliating the votes of the unthinking?

BUSINESS LESS ACTIVE

It is hardly to be denied that the past two weeks has seen some recession in business activity. The decline is not yet sufficient to produce much actual change in the volume of transactions, or to impair very seriously the demand for labor. Employment continues good, wages as high as ever, and the movement of staples in the trade is at least reasonably active. Carloading statistics show that, as thus measured, business is moving about as freely as it has moved in the past, if not more freely. The changes of indication relate primarily to the future, and are to be taken as indicative of what may be expected to occur at a later date, rather than as showing the nature of processes that are being carried out at this very time. Nevertheless, after making all allowances for the time and method of changes, it remains a fact that indications of reaction must be admitted and duly provided for. That being the case, it is proper to inquire how far such trends are likely to go, and what may be done to arrest them.

As to the latter question, there would seem to be no doubt that the most powerful counteracting forces that could be invoked at this time are of a political nature. If our Government were willing to lessen its attack upon certain forms of business, and to assume a friendly attitude with respect to other types of activity, such as transportation, we might reasonably expect that there would be a great transformation in the attitude of the community with regard to this whole question. Lacking such assurances, and with European conditions as uncertain as they are, we can only say that no definite or assured path toward better conditions is now clearly visible, but, on the contrary, the indications are that a considerable period of unsettlement and doubt must be endured before any conclusive or satisfactory adjustment of the situation is to be looked for.

THE RECURRENT TAX PROBLEM

OUR present tax situation offers a case in which the familiar saying that conscience doth make cowards of us all is once more exemplified. Treasury officials, according to reliable account, have been redrafting our income-tax law, with a view to relieving the overburdened community of some portion of the terrible load under which it is staggering. This is good as far as it goes. But doubting Thomases appear in the persons of Senate leaders who express a dread that, if any measure on the subject be allowed to come upon the floor of Congress, it will be mishandled by "Radicals" who will endeavor to alter it in such a way as to make the outcome worse rather than better.

This kind of risk, of course, is always present in every piece of legislation, yet it is true that we have to run the hazard and attempt to legislate along lines that may be beneficial. In the present instance, the feeling of the community with respect to relief is clearly indicated by the fact that the rumors of the proposed change have resulted in a "flood" of letters, telegrams and other communications coming from the taxpayers and expressing their satisfaction at the prospect of some deliverance from their present evil case.

There is no reason to think that "radical" influences are likely to be materially less in the future than they are in the present Republican Congress, and it is better, therefore, to take up arms against the present sea of troubles than fly to others that we know not of. At some time, relief must be obtained from the present tax situation if business is to go on existing and if capital is to resume its normal rate of accumulation. If neither of these things is to occur, perhaps the sooner that is known the better.

OUR DISCOUNT POLICY

ANOTHER meeting of Federal Reserve Agents and Governors of Federal Reserve Banks has been set for November 12th; and at that time it is understood that there will be a general discussion of Discount Rates and Discount Policy with a view to clearing up some uncertainties that have apparently developed with reference to the Federal Reserve situation. Two points call for clarification. One is the question whether a uniform discount policy is to be applied to the whole of the United States, the other a question whether the system shall endeavor to carry into effect its own policy regarding discount rates or shall sustain and develop them by means of an open market. As to the latter point, it is interesting to note that the Federal Reserve Board some months ago declared itself in favor of a definite open-market plan, thus reversing the point of view which had existed for a long time past.

This plan, however, has not been very effectively applied during the past year, and undoubtedly needs to be developed on a much larger scale if it is to have any real significance. The proposal to give consideration to these questions is encouraging because it represents progress toward the establishment of a well-marked course of action based upon definite banking principles. Lack of such a policy has been one of the most regrettable aspects of Federal Reserve administration for a long time past, and the giving of greater attention to it is to be held a very hopeful element in the outlook.

AN UNEXPECTED GUEST

ENGLAND is entertaining an unexpected guest in the form of an inflation agitation. Urged by unemployment and distress among her people, she is finding not a few of those who ought to know better adopting the idea that some issues of paper currency would result in bringing prosperity by forcing higher prices and so enabling men to "make money" as against the problems they have to confront today and the inability to get back even what they have put into business. It had not been expected that Great Britain would suffer from this agitation, but it undoubtedly represents a disease of world-wide growth. We still have to meet it, although on this side of the water it is endemic chiefly among the farming class as against the situation in England, where those who are most subject to its ravages are the manufacuring and labor elements.

The inflation theory adopts a short-sighted point of view, since it assumes that there is something that can be done toward increasing prosperity by simply dividing up the property of the community in different proportions. This, of course, is a wholly erroneous and ridiculous notion and it should be so recognized. Inflation is a drug which has to be continuously given in repeated doses in order to keep up its effect on the patient; and, like most opiates or stimulating medicines, it eventually loses its influence, leaving the last state of the user a good deal worse than the first. Germany, France and other countries already furnish contemporary examples of what is sure to happen to those nations which fall into the habit of resorting to inflation schemes as a means of relief. It is to be hoped that England will not encourage any such movement, while as for permitting it to attain a fresh growth in the United States, the hazard is too great to be thought of for a moment, provided that means can be found to check it.

MORE CONFUSION ABROAD

THOSE who look for hope from foreign countries, or who faithfully expected a great light to break upon the political situation without any effort on our part to relieve conditions or to reshape the prospects, must have been disappointed at the news from Germany during the past few days. The final announcement of inability to pay reparations dashes the hopes of those who had been looking for some development that would help them toward a smooth and automatic adjustment of the reparations problem.

If reparations are to be gathered at all, Germany will have to be taken under some kind of Allied supervision, and whether the Allies are ready to assume responsibility for a protectorate of that sort is more than open to question. Altogether, therefore, the prospect of an early and easy adjustment is hardly encouraging. More than ever, it seems true that France will have to reconcile herself to a new way of approaching a solution of the German issue, since only so can she collect anything or certainly what she believes to be her due. The Germans will have to be allowed the opportunity to work and to accumulate means, since in no other way can they get into position to pay anything.

THE MARKET PROSPECT

FOR a complete analysis of the position of the stock market read Mr. Wyckoff's article on page 12.

Monday, November 5, 1923.

What France Seeks in the Rhineland

Why Another European War Impends

Why We Can Do Little to Help.

If the Worst Comes, What May We Expect?

An Interview with SENATOR SMOOT

By A. H. ULM

FRANCE is evidently behind the revolt in the Rhineland Province in Germany.

The attempt being made to set up a Rhineland Republic separate from imperial Germany is evidently the result of France's desire to establish a buffer state on the Rhine between herself and the Germans.

France is impelled to this maneuvering by fear—the fear of again being attacked by Germany and the wish to guard against it. However, economic considerations have no doubt played a part, too, such considerations, for example, as the desire to control more of Germany's coal.

Bearing Out Previous Convictions

Current events bear out what I was convinced of when in Europe last Summer — that France is going to hold on to the Ruhr until a buffer State is set up.

A Rhineland Republic under French control probably would be satisfactory to France. With it established, France no doubt would be willing to relinquish the Ruhr and to modify or surrender claims for reparations.

With a Germany broken into parts to be sure, it would be patently impossible to collect reparations. But France would at least have, if only for the time being, that security which above all things she seems (or pretends) to desire.

Another War Impending

What the effect of a disorganized Germany would have on Europe and on our own relations to Europe is beyond prediction. It would mean, of course, another war, although how early a war nobody can tell. A Germany driven to desperation might attempt war at any time, as the last and only hope of holding the empire together. War alone brought the empire into existence and cemented it.

Of course, viewed casually, any attempt on the part of Germany to make war on any other nation, before she recovered economically, might seem to be doomed at the start. But when a people are in the lowest depths of despair they often achieve miracles. Especially is this so when an able dictator guides their affairs. And Germany is certainly moving in the direction of a dictatorship; in fact, all that seems to be needed is for a man capable of exercising supreme power to come forward.

Such a man no doubt can be found among a people who have given to the world so many men of genius.

Germany's survival in anything like its modern status depends in great measure upon the survival of the empire in some form. Otherwise with its present population it cannot be a self-supporting land. If Germany breaks apart into a series of small States, that nation must revert to agriculture as the prime support of its people. And Germany hasn't the land for supporting, on anything like a true sustaining basis, the present population, which has grown up around its manufacturing industries.

Germany's manufacturing industries cannot be restored and further developed unless all of Germany has free access to its mineral stores, coal and iron, the bulk of which are situated in the small area of the Ruhr.

Thus, to break up Germany would mean the virtual destruction of the Germany that has existed since 1870—the land of vast industrial and commercial achievement. And that breaking-up process is on.

Whether France will relent or whether Germany will find means to make France desist, no one can tell at this moment. All that we know is that a continuation

Once more, the spectre of WAR stalks abroad in Europe. Will it, a demoralized continent, carry America down too?

of the present breaking-up process must mean an accelerated demoralization in Europe, with war the inevitable prospect.

What Can We Do About It?

What can we do about it? Virtually nothing.

Europe must begin to put its own house in order before we, as a nation, can take any positive steps towards helping to bring order out of chaos there. Until this turn towards the constructive begins, any meddling on our part would, I fear, merely complicate Europe's problem and possibly delay its solution.

We only can wait and hope. Too many deep currents, too many century-old prejudices, hates, fears and ambitions, underlie the European situation as it stands, for us or any other outsider to be of comprehensive aid. We must wait until things begin of themselves to mend.

When will that time come? Again nobody knows. It is beyond reasonbale prediction.

What Will Effect on this Country Be?

Meantime, what will be the effect on our affairs, our industries, our commerce, of the demoralization—war, even, abroad? Viewed from the standpoint of past experience, I see no positive reasons for undue anxiety.

You will recall that, when it first broke out, the World War seemed to threaten disaster to many of our industries. Trade exchanges closed; a period of several months passed during which, on account of the war, there was no market for some of our chief products. Many well-informed persons thought that conditions here would go from bad to worse as the war progressed. But they didn't.

After it was all over, we realized that such troubles as we had had consisted solely in the difficulties involved in making the drastic readjustments which the war entailed. We realized that, once these readjustments had been made, business had gone on better than ever before.

You will also recall how many believed that the *ending* of the war would usher in a long period of depression here. European countries would be bankrupt; millions of discharged soldiers would have to be re-absorbed into the peace-time industries of the world. The prospects, many thought, were alarming. What happened? Pessimistic predictions proved almost altogether baseless. There was a brief let-down when the war ended; but industrial readjustment was accomplished more quickly than in 1914 and 1915, and the whole result was to this country's advantage.

Going into even more recent history, you will recall that ever since Europe began to approach its present demoralization, predictions of calamity for this country have been freely and widely made. Have these predictions been fulfilled? Look at the records!

On the whole, our business with Europe has gone on, and it continues. During some years since the war it has been larger, I believe, than it was before the war, and in many respects it has improved.

In many cases, in fact, the greatest improvements in our European trade have actually centered upon what were supposed to be the most hopeless political divisions of Europe. Germany and Poland, for example, have been purchasing increasing quantities of American cotton; our machinery has been going into countries whose currency depreciation had reached the point of Bedlam; areas whose people seemed, by the usual tests, to be totally bankrupt and where political conditions appeared to be worse than hopeless, have been absorbing more and more of our goods, and we have been taking more and more of theirs.

Nor has the last tariff act, which many of whose critics said would add to the other "insuperable" difficulties in the way of our doing business with Europe and the world, proven a barrier. On the contrary, under this protective tariff we have been importing a greater volume of goods than we brought in under its predecessor, which was not protective in intent.

In short, it would seem that many of us are inclined to greatly exaggerate the effect of European conditions on commerce and industry here.

European Commerce Must Go On

Nor, to be sure, should we look upon Europe's pressing political problems either as insoluble or as destined to halt commerce over there altogether.

Political manipulation on the Continent can and no doubt will exert a tremendous influence on commercial and financial affairs; but where there are Intelligence and Experience and Necessity (as there are in Europe) political obstacles of the most formidable sort can and will be overcome.

Many of us in this country are prone to look upon Europe in much the same light as, in the past, we have looked upon the revolutionary areas of Central and South America. This is obviously illogical. The backgrounds of the two are in no way similar.

Europe, we must remember, has the cumulative effect of thousands of years of civilization operating beneath the sur-

(*Please turn to page 73*)

"All that we know is that a continuation of the present breaking-up process must mean an accelerated demoralization in Europe with war the inevitable result."—Reed Smoot

"Germany's survival in anything like its modern status depends in great measure upon the survival of the empire in some form. Otherwise, with its present population, it cannot be a self-supporting land.

"If Germany breaks apart into a series of small States, that nation must revert to agriculture as the prime support of its people. And Germany hasn't the land for supporting the present population on a sustaining basis."

"Germany's manufacturing industries cannot be restored and further developed unless all of Germany has free access to its mineral stores, coal and iron, the bulk of which are situated in the small area of the Ruhr.

"To break up Germany would mean the virtual destruction of the Germany that has existed since 1870 — the land of vast industrial and commercial achievement. And that breaking-up process is on."

Stock Market Suddenly Turns Upward

Over-Night Change in Security Situation—What the Outlook Is at Present

By RICHARD D. WYCKOFF

Readers of THE MAGAZINE OF WALL STREET, *who found a consistently conservative attitude reflected in these columns during the past several months of declining security prices, will note with interest the more constructive view adopted in this issue. Some of the factors contributing to this change of attitude are pointed out in the following communication from Mr. Wyckoff. Additional factors are discussed elsewhere.*

As a commentary on the actions of the speculative markets, it is worthy of emphasis that the "turn," as it occurred, took place almost overnight—so suddenly, indeed, that it was only through recourse to the speediest available forms of communication that advices concerning it could be transmitted even to subscribers to the Investment & Business Service.

How long the new uptrend will continue—what the factors are that may help sustain it and what the other factors are which might interfere with it—are matters of vital interest to all our readers. Of course, no effort will be spared to thoroughly cover these points in future issues of THE MAGAZINE, *upon whose clear and unprejudiced analyses a constantly broadening circle shapes its activities, commercial as well as financial.*

BULL markets are seldom made over night. They usually have their inception in panics or at the end of a long extended period of stock market depression, but the rise which began on Wednesday morning, October 31st, has all the ear-marks of a hand-tooled turning point, not so long and carefully prepared for, but growing out of the sudden and favorable change in the world situation.

Up to the previous night's close, there was a market which, in Wall Street parlance, "would not take any quantity of stock"; that is, no large amount of a number of issues could have been sold without breaking prices badly. Certain large operators who were tempted to operate on the bear side refrained from doing so because of the thinness of the market.

General business was falling off. Net earnings were declining at a greater rate. The Steel Corporation was booking business at only half its capacity. Copper was selling at the lowest price in years; pig-iron was offered at the lowest in two years, $22, with few takers. Federal Reserve reports admitted that business was on the decline.

Something Happened

But just then something happened. The most powerful group of financiers in the United States met around the U. S. Steel Corporation directors' table, and at that meeting a new stock market situation was born. The Corporation declared an extra dividend of 25 cents. At first it seemed as though the mountain had labored and brought forth a mouse, but before the following day's stock exchange session was an hour old the mouse had apparently gnawed away the ropes that bound the market to its low levels and made it free to take what have since proved to be giant steps toward higher levels.

In our issue of October 27th, page 1165, we indicated the situation that was likely to prevail unless the previously existing technical conditions were altered by a more favorable outlook. This alteration has taken place and is likely to be far-reaching.

Bear markets usually run about a year, and if present prospects are borne out and this proves to be not a mere rally but the beginning of an important upward swing, then the bear market may be said to have terminated at the close of business Tuesday, October 30, 1923, which gave it a duration of one year and fourteen days.

The Prospect Today

It now looks as though Big Business here and abroad had reached a ground of common understanding and had embarked on a definite program in which the rehabilitation of Europe, the revival of our foreign trade, the redistribution of the world's steel production, the restimulation of our domestic industrial activities and the strengthening of the political party now in power, are all rolled into one. You may say this is a large order, but these various considerations are so intertwined, and at the same time so dependent upon certain large issues, that it is not at all improbable that we shall finally see a satisfactory conclusion worked out. At any rate we shall undoubtedly witness an attempt to solve the gigantic European problem for which the Hughes' proposal may have paved the way.

The crux of the whole situation is the problem of Germany. The question is how a population of 65 millions, formerly supported by a complicated industrial system which has, in great part, been broken up, can continue to exist and obtain the necessaries of life. Once this problem is solved, France's problems will be solved, and when the Continental problems are solved, England's prob-

lems will automatically find their solution also. The great work of the Conference, therefore, must be the rehabilitation of Germany if it is to be a success at all; and if it does succeed in this rehabilitation, it will have attained the fullest measure of success. The situation as seen from the French point of view is described in another article in this issue.

Of course, it is impossible to say with the personnel of the committee not even decided upon whether this undertaking will be successful; if so, to what degree and just how it will alter or cure the present difficulties. It may, like a number of other conferences, result in a complete failure; it may drag on for months and its recommendations may not reach their final outcome for years. As to this no man can say. But the very fact that an attempt is being made under new auspices, a representative of the United States probably in the chair, places the whole matter upon an entirely different basis, as Lloyd George has said, than ever before, and definite results should therefore be accomplished.

Interdependence of Domestic Affairs

Just as these great foreign problems are interwoven with each other, so our domestic affairs are interdependent; the steel industry upon the buying power of the railroads, the building trades, the automobile, farm machinery, etc., and practically all industry upon the earning and spending power of the wage-earners and those who own and labor on the farms. But there is still another consideration, and that is the psychology of those who work and earn and save and invest. Business in this country is swayed very largely by the degree of confidence possessed by the people who manage industries or otherwise do business or invest in securities. For the past six months we have not only witnessed a reaction in business, but the adoption of a cautious, in some cases timid, attitude by those who command many business ships, and this has played a very important part in the business and stock market reaction which has occurred during that period.

It is logical, therefore, to assume that one of the motives behind the present reversal of form in the stock market is the encouragement of business men and investors to the end that they may take a more hopeful view of both fields and thus increase the demand for labor and commodities, further increase railroad traffic and otherwise stimulate the whole business structure.

Is the Stock Market a Barometer?

There is some question in the minds of many people as to whether the stock market has lost its power to act as a barometer, but nothing has occurred to cause us to alter our views in that respect. Last year when the market reached its peak in October, it correctly forecasted the decline in business which began in April, 1923. The market continued to decline until this summer, and with business still on the down grade, it has now turned upward. If the same time relation be

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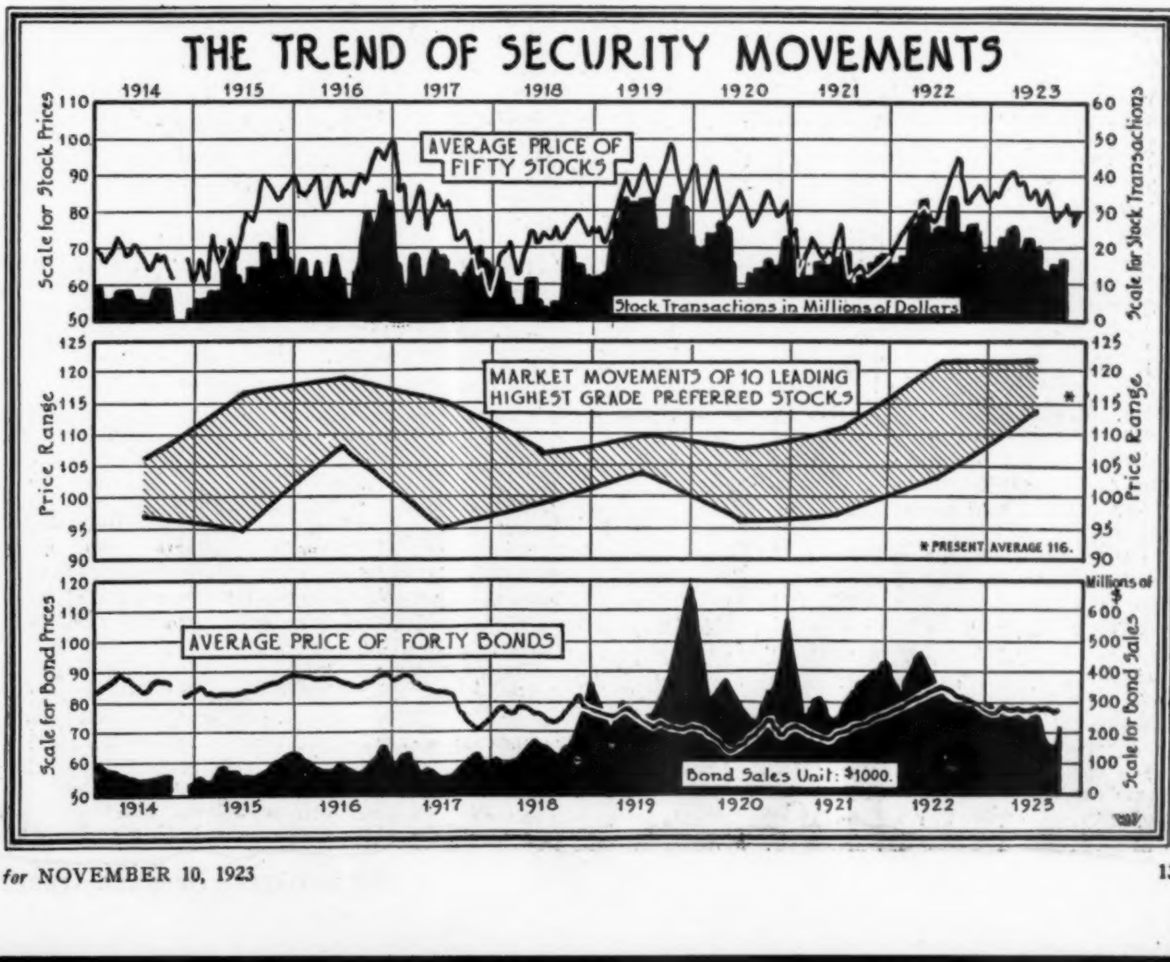
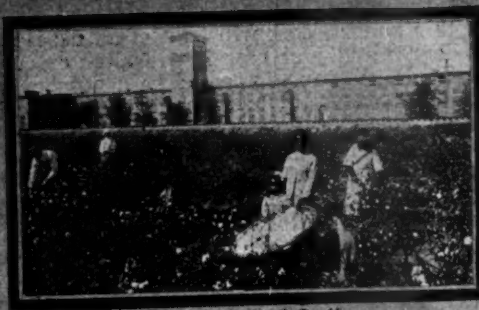


Here and There and Everywhere
—In Industry and Finance

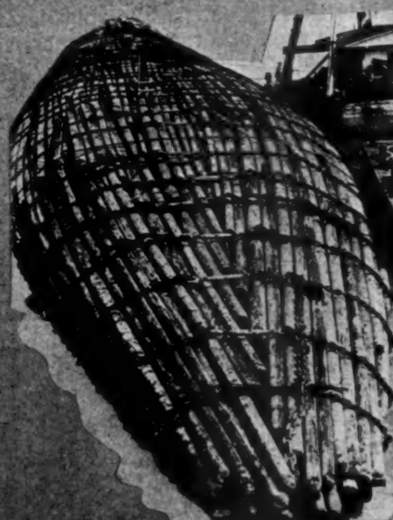
Surplus in California — Shortage Here
Hundreds of tons of lemons "we are told" lie rotting in San Fernando Valley because of high freight rates.



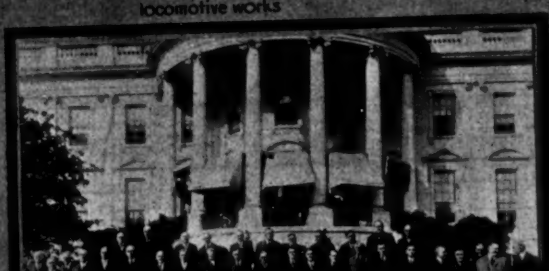
In the Land of Cotton
A picking view in North Carolina with the cotton mill in the background.

One Step in the Manufacture of Electric Locomotives
Woman operating vertical milling machine in the Erie Factory of a large electric locomotive works

Out For Coolidge
Judge Gary, dean of American business men, made Coolidge principles the topic of a highly favorable speech before the Iron and Steel Institute recently.

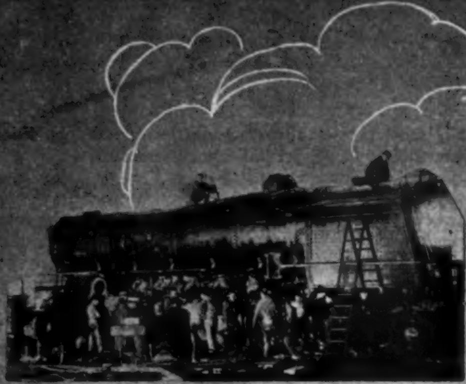


A Million and a Half Board Feet
Of lumber, fashioned into a raft ready to travel down the Columbia River, Oregon

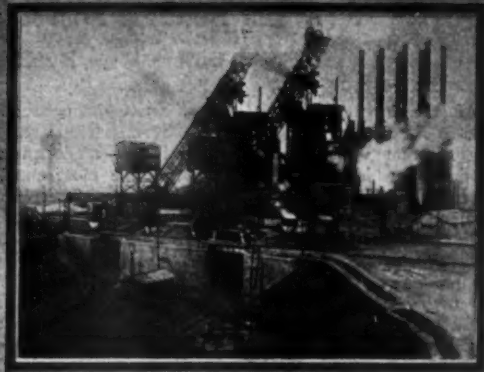


The President and His 36 Govenors
A photo taken during the recent Governors Conference where "law enforcement" was the chief topic.

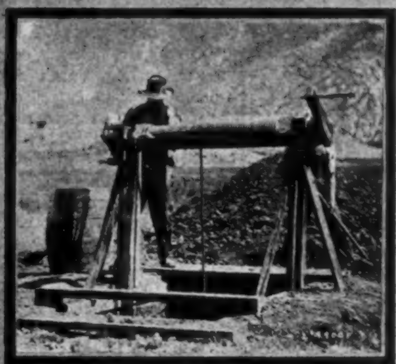
Building a Card Board House
Carpenters at work in Goldwyn's Culver City Studios erecting a special set for the silver screen.



A Monster in the Making!
A Locomotive slowly taking form at the Baldwin Locomotive Works in Philadelphia.

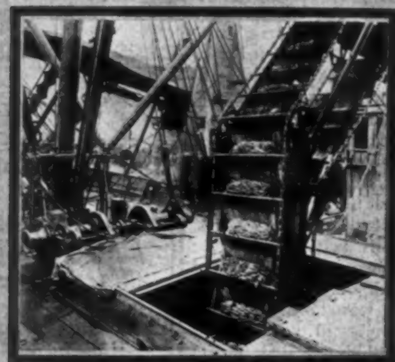


This is in China!
A Fact! This gigantic steel works is located in Manchuria and is one of the busiest in the world.

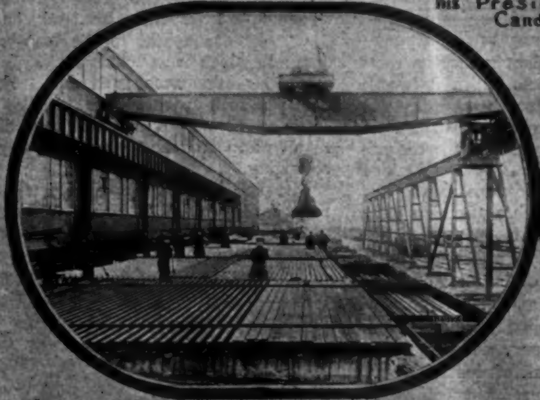


Oil From a Ten Foot Well
Practically "on the surface" is an oil field near Oxnard, California, which is pumped by hand.

Will Someone Throw A Ring Around His Hat?
That according to a New York Newspaper is all Henry is waiting for in the matter of announcing his Presidential Candidacy



We Have Plenty,—Thank You!
So many in fact that United Fruit finds it worth while to load them by machinery.



Picking Up Rails With a Magnet!
Lifting crane, operated entirely on electric power, as used at Bethlehem, Pa.

Where they Save Everything But the Squeal
A view of the Union Stockyards in Chicago, famous for their efficiency as well as their cleanliness.

Expenses That Eat Into Profits

What the Business Man Can Expect—A Hint to Investors

By E. D. KING

ONE of the largest packing companies in the country has an advertising contract with a well-known weekly publication which called this year for an expenditure of over $400,000. It happens, interestingly enough, that this sum more than equals the amount of dividends which this company will pay this year on its preferred stock. Incidentally, it is worth noting that dividends on this issue of stock were not paid until this year though the company has already spent millions in advertising. Needless to say, no dividends have been declared to date on the common stock. The intent of the writer, of course, is not to suggest that the company is spending too much money for advertising or that the shareholders are suffering as a result of these large expenditures, but merely to indicate the extreme costliness of carrying on business today and the difficulties of obtaining a reasonable profit under modern conditions.

If the reader will examine the accompanying graphs, he will note that the United States Steel Corporation last year consumed more than 91½% of its total operating income in meeting its operating charges. Nearly everything that was taken in at the company's till was used to pay the bills. Mind too, that this occurred in a period of rising production when it would naturally be expected that the margin of profit would increase.

Since 1919, the country's railroads have been paying out more in taxes than in dividends.

Last year, and so far this year, a period of very active business conditions, witnessed an almost record-breaking number of commercial failures.

High stock prices, increased dividends and the swollen earnings of some of our leading corporations this year should not blind the observer to the fact that these are the exceptions rather than the rule, and that for many small companies and small business men, at least, it is becoming more and more difficult to conduct business at any kind of a profit which would warrant them staying in business.

Thus the country today is treated to the unusual spectacle, except in the case of a relatively few prosperous concerns, of a high state of business activity without corresponding profits.

Take the tire-manufacturing industry, for example. Here is an instance of an important industry which has been very active throughout its normally most prosperous season and which nevertheless has hardly made an adequate profit. Some of the most noted companies in this industry are incurring deficits, one or two others have been driven to the wall. Several others are close to this situation. Very few are paying dividends any longer. What is the reason for this seemingly anomalous situation?

The reason is that the tire-producing industry is over-built. In other words, the existing plants, if operated at full, can produce more tires than can be consumed by the public. In such a situation, an intensely competitive condition develops. The result is—as seen recently—prices are driven downward, and, while the consumer may benefit, temporarily, the producing company is seriously affected because it cannot reduce its costs to meet the lower prices which it is able to obtain for its products.

THE return to normalcy in business is being accomplished by an unobtrusive nevertheless very real weeding-out process. A number of companies which rode to prosperity on the crest of the war-boom are finding it difficult to meet their expenses under the new conditions in business, and others have already disappeared. Competition is very keen and only the strongest among the companies are able to withstand the pressure. During the next few years, it will probably be safer to own securities in companies which have been able to weather many a storm than in those which as yet have been untested by the fire of adversity.

The tire-manufacturing industry, thus, is an outstanding example of the difficulties that modern business has in making both ends meet. Obviously, nothing can be done to alleviate such a situation until, as is now developing, a number of the companies less able to stand competition, are either driven out of business or taken over by the larger and better financed companies. Unquestionably, this is likely to happen in this industry within the next year or two. To speak of controlling the expenses of the tire-producing companies would be to disregard the fact that little can be done along this line because their fixed charges, owing to over-investment in plants and other properties, are disproportionate to the earning capacity of these companies under conditions now prevailing in the industry.

Another Illustration

We need not seek much further for another instance of the high cost of doing business. Those copper companies which are not able to produce at a cost of less than the present market price of the metal, and there are a great many of them, will be unable to keep on operating much longer. Most of the North American companies are in such a position. In South America, Chile Copper can produce at a cost of half the market price which gives it a tremendous advantage over some of our other companies operating in the West and in the Lake region which have all they can do to bring copper out of the ground at a cost reasonably near the price received. Obviously, these companies are feeling South American competition, some of them will have to permanently go out of business, victims to the high cost of doing business.

Mortality in Business

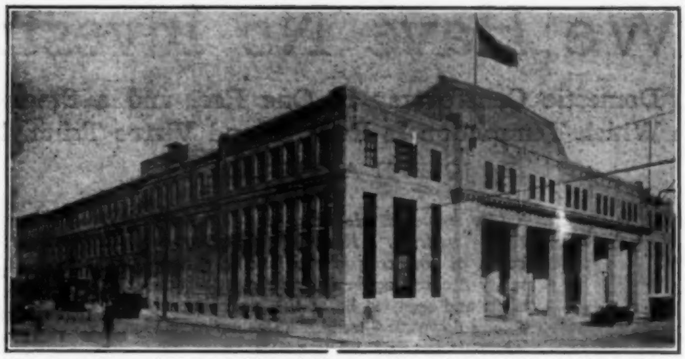
A very impressive fact is that commercial failures have been very high during the past year and a half, a period when business was supposed to be very good. Companies which fell owing to a multitude of causes, were nevertheless all afflicted with the high cost of carrying on business. For example, the owner of a small retail chain-store system of our acquaintance had to quit several months ago because, being unable to secure sufficient loans from his bank, he had to appeal to the loan-broker element which was charging 25% and more for the accommodation. Rather than pay such an exorbitant fee, this man chose to go out of business immediately than postpone the inevitable day of reckoning.

The small retail merchant has had a very hard time of it in the past several years, mainly owing to the increase in rents. Some of these people who are still in business are earning only enough to pay their regular bills and their store rents. They are continuing only in the hope of being able to sell out—if they can find a buyer—and thus retrieve some of their capital investment. They have no hope, under modern conditions, of being able to conduct business at a fair profit.

It is worth noting too that business generally is not on such a speculative basis as during the war and post-war pe-

riod and that, therefore, the increase in commercial mortalities over the past year and a half are worthy of serious consideration as throwing a light on present conditions and tendencies in business.

During the war, there was an overflow of demand arising primarily out of Europe's enormous buying of war and other materials. This situation led to full-time employment, high prices and a tremendous rate of production. Under these circumstances, lack of efficiency in management was not felt as the margin of profit was large enough to make allowance for even a considerable percentage of waste. Today, conditions are different. We are on a competitive basis. There is no Europe buying huge supplies as during the war.



Famous Player's two million-dollar studio at Long Island City which will soon be shut down along with the Los Angeles studios, directly as a result of the high cost of doing business

As a nation, we are now making our living mainly by taking in each other's washing.

If we cannot find an outlet for our goods abroad, we are going to produce less, and in producing less we are going to raise the per-unit cost of production. This is the secret of the failure of modern business in America. For that matter, it is true throughout the world.

To put it another way, the domestic demand, actual and potenital, is not sufficient to keep all our plants occupied at 100% capacity. What is the result? First of all, we reach a highly competitive stage in business with a lowering margin of profit all around. Secondly, we reduce the purchasing power because plants are idle, the workers cannot buy. The Amoskeag Mills recently shut down throwing ten thousand people out of work because the company could not carry on business at a reasonable profit. If a big mill like the Amoskeag is compelled to shut down, what is likely to happen to smaller ones? Many cotton mills are moving South because they can no longer operate at a profit in New England.

Some companies and firms, however, are making a great deal of money. They are mainly the big ones, ably managed and well-financed. The little ones are having troubles. Some have gone out of business; others will follow. The stock market during the past few years has been witnessing this gradual weeding-out process. It will continue.

A Hint to Investors

This should be a hint to investors: **During the next few years, holders of securities of big well-fortified companies, able to stand emergencies and shifts in earning power, will be in a more comfortable position than those who will hold securities representing small and weak companies, especially those launched during the war period or directly after.**

Granted then, that the high cost of doing business is putting many firms out of business, what are we going to do about it? The business man certainly will take care to run his business on as economical basis as possible even though this step in itself will not insure success. He will

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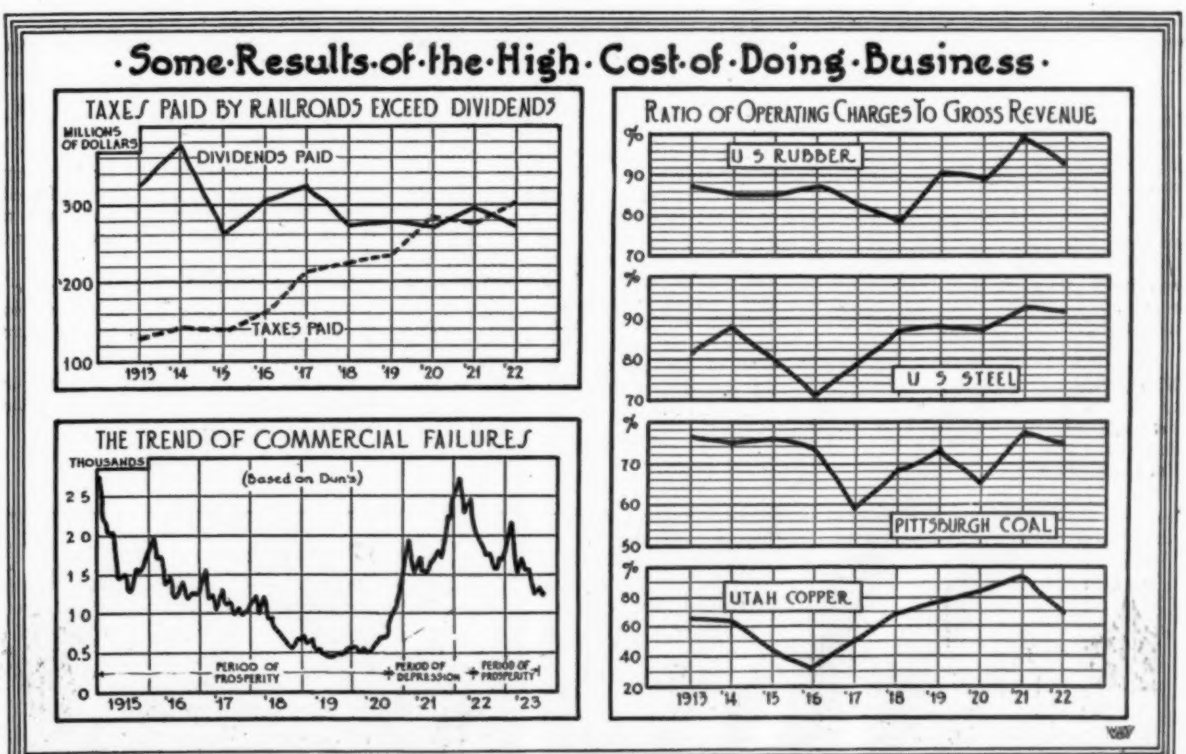


The above represents what might be termed exhibits of the high cost of doing business today. Note that the railroads are paying out more in taxes than in dividends, that the trend of commercial failures, broadly speaking, is upward despite an active business condition, and that finally, even some of our leading companies, are having difficulty in holding their operating expenditures to a point where they can make reasonable profits

"Yes, We Have No Investments"

A Domestic Controversy in One Reel and a Stagger In Which Temptation Is Resisted and Virtue Triumphs

By JOSEPH A. EDELWEISS

DOORMATIC PERSONS:

HE—*An average wage earner*

SHE—*An average wife*

IT—*Their baby—bond*

He (enters with coat and hat on, newspaper in hand, singing):

There is a little thing I have
Of which I'm very fond,
It is the only one I own,
My little baby—

Chorus: What?

He: My little baby bond.

(*Continues*)

My doctor says I have a heart
Not made for thrills and shocks,
And so I have to keep away
From every kind of stocks.

Chorus: What a fine old world this world would be
If everyone should keep his word so faithfullee.

Enter She, carrying large envelope.

She: Where is the thermometer, Albert? You may think I am silly, but I have a premonition that something is going to happen to our little Firstmortgageandrefunding. (*Breaks down and cries.*)

He: Never mind, my dear, here is our thermometer. (*Opens the newspaper to the financial page, takes bond out of envelope and compares quotations. Mutters a few numbers, finally shouts.*) Yes, here it is, my dear, 98—half a point down.

She: Oh, I feared it, I feared it! Ninety-eight! We must call the doctor at once. (*Goes to library table and gets out copy of* THE MAGAZINE OF WALL STREET.) You see what he says, dear, I'm too nervous.

(*He snatches Magazine and hurriedly scans contents. Reads.*) "High-grade bonds of low coupon rate and long maturity declined again during the past fortnight and seem to be at the beginning of a long downward trend." (*Dramatically.*) Then—it *is* true?

(*She faints. He revives her by fanning her with the Market Outlook section of the Magazine. Enter chorus of stock salesmen, wearing derbies, canes and handkerchiefs in their coat pockets*).

Chorus: So this is your reward
For such financial virtue;
Why don't you try our stuff?
You'll see it cannot hurt you.

(*One after another, then altogether*) Mazuma Consolidated, Peanut Oil, Finance Participating Certificates, Hoboken Platinum Mines!

She: Go away, you awful things! No matter what they say about him, he still remains my own baby bond, my little Firstmortgageandrefunding.

(*Tenderly folds up bond and puts it back in envelope*).

She (stops him, takes bond out of envelope, and reads, tragically, with deepening despair): "In case default is made in the payment of interest or principal of any refunding bonds, and such default shall continue for a period of six months or in the payment of interest and principal of any bonds constituting prior debt as and when the same shall become due and payable, then and in every case of such continuing default the Trustee by notice in writing delivered to the Railroad Company may, and upon the written request of the holders of 20 per centum of the refunding mortgage bonds then outstanding. . . ."

(*Breaks off, and puts the bond back in the envelope.*)

He: What shall we do now? Shall we sell our little baby bond?

She (with a shudder of horror): No—don't say that! Never! Albert—promise me that no matter what happens, you will never sacrifice our little Firstmortgageandrefunding, and that you will surround him with brothers and cousins to protect him as the years go on and he approaches maturity.

(*He, reverently*) I promise. (*They embrace*).

CURTAIN

Act II.

(*Twenty years later. Little Firstmortgageandrefunding has safely reached maturity and the check which is all that is left of his mortal remains has come in this morning. The event has scarcely been noticed, however, so numerous have his brothers and cousins become and so strenuous the duties connected with their care*).

She: Do you remember, Albert, that night, so many years ago, when our little (*her voice breaks*) Firstmortgageandrefunding first came to us, and how we worried so much over his temperature, and consulted it every night?

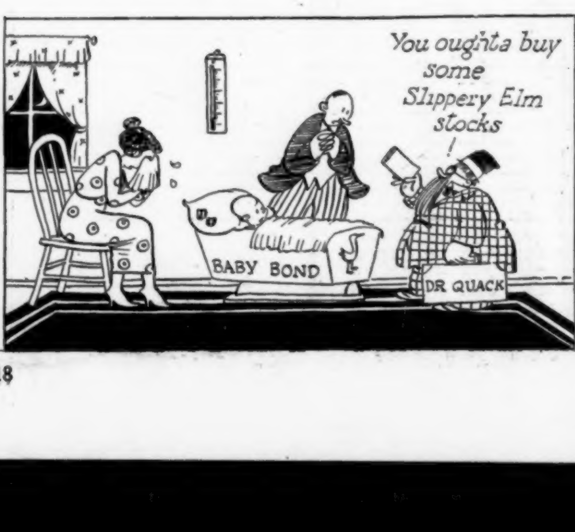
He: Yes—how strange and far-away it all seems now.

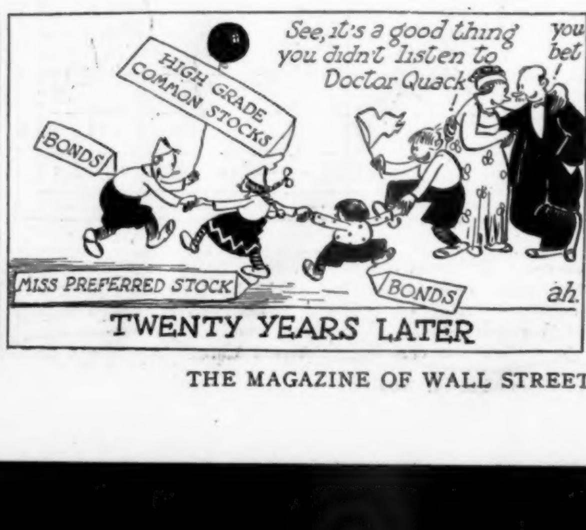
She: Yes, now—now that we have our great big family of bonds and preferred stocks and even (*triumphantly*) even a few common stocks to take care of. Just think of it!

He: And think of THE MAGAZINE OF WALL STREET, which has helped us so much to take care of them and to bring them up.

(*She reaches for the latest copy of the Magazine and pats it affectionately on the Table of Contents*).

CURTAIN





Has the Wolf of Wall Street Made His Last Raid?

By WALDO P. ANDERSON

DAVID LAMAR is coming back to Wall Street. Perhaps the announcement will occasion some stir in certain high chancellories of finance. Many frosts have fallen since the canons and arroyos of the money center have re-echoed to the hunting howl of the "Wolf of Wall Street." The snow must come and go and come yet again before his once familiar form will be seen breasting the human tides which ebb and flow in Broad and New streets. For the Wolf is holing up, for the nonce, at a populous resort in New Jersey.

In some respects, this resort is distinctive. It is as democratic as a street corner fight. No guest is ever refused admittance because of race, color, breeding or lack of it, or even though the sheriff has attached your bank account and all your worldly goods. But you cannot tarry there except by special invitation and having been invited you must remain to the utmost day of your visit. There are no deviations. Mr. Lamar's invitation was brought to him by certain gentlemen who affect wide-toed shoes, speak from the sides of their mouths and reside in Washington, D. C. The name of the resort is the Essex County (N. J.) Penitentiary.

The Wolf at Close Range

Davi' Lamar, for the second time in his life, is expiating a crime against society. He was convicted of conspiring to prevent the manufacture of munitions during the war and thrice the Supreme Court of the United States denied his appeal. On a former occasion, some ten years ago, he spent two years at Atlanta for impersonating Congressman Mitchell Palmer.

A quarter of a century ago Lamar enjoyed the back-door confidence of certain kings in finance. Coming from no one knows whence, and thrusting himself out of the ruck no one knows how, he succeeded in making himself valuable to a number of individuals who had Wall Street fish to fry. He proved himself a good cook but the tenure of office of Wall Street chefs is notably short. He was employed in several important deals by the late James R. Keene and had the cautious ear of Russell Sage.

It is said that he was the only man the late J. P. Morgan feared. That statement has never been denied. In those days, the Wolf's belly was full and his coat glossy. But at length the lions of finance banded together and cast him forth. So he says. Not only that but they declared a close season for all wolves and sought his ruin. He became an outlier, an outcast. His coat lost its lustre and the bones showed. As he became hungry he grew reckless. True to type. Thence to his first downfall.

The writer spent several hours recently at the State Penitentiary in conversation with the "Wolf of Wall Street." Much of the talk cannot be repeated, for reasons, and much is not worth the telling.

David Lamar is no ordinary human. The man has dignity and personality. Neither the woolen, khaki trousers nor the baggy, rough, blue sweater that he wore, succeeded in snuffing those two characteristics. He has the nose of a Roman emperor, the back-sloping forehead of the Neanderthal man and the torso of a bar-keep. His eyes, with their bushy brows, are those of the statesman. His mouth is indeterminate. When he smiles it has the expression of a father confessor and when he laughs his whole face lights up satanically. He does both frequently. His ears are much too small for his heavy head but are perfectly modeled. He would make a good doctor and a wonderful toastmaster. He is fifty-two years old.

His Real Name

Lamar is his real name, he says, tradition to the contrary notwithstanding. His people came to this country from southern France near the Pyrenees mountains in 1769. He was born and bred in New York, so he avers, and began his Wall Street career at eleven years of age. He has read widely and well and remembers much which he has read.

"How much of what has been written about you is correct?" he was asked.

"That is answered in the memoirs of Napoleon the First," he replied, and named the author, "about 90% is incorrect."

But he does not like to talk about himself except in generalities. Prod him with a direct question and he answers by not answering. His face assumes the far-away, even rapt expression of a composer listening to the faint strain of a grand musical theme. After a while you imagine he has forgotten your presence. Then you become uneasily conscious of the fact that his mental fingers are feeling about in your mind. Feeling for something. What? Motives, something to take hold of? You speak to relieve the tension and your question is unanswered.

The Wolf is very vain. He will tell of his Wall Street experiences grandiloquently, though guardedly. You know it is not all true and you wonder how much is. As he talks, the prison bars vanish and you tread deep Brussels and feel the Circassian walnut of the money places. He speaks the diplomatic language of high finance and speaks it well. Only once did he miscue.

(*Please turn to page* 71)

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David Lamar begins a short sojourn in New Jersey

Foreign Trade and Securities

Is French Prosperity Sound?

The Importance of France's Growing Internal Debt—A Roundabout Method of Inflation

By MAX GOLDSTEIN

BY all the familiar signs and indices of prosperity, France is today a prosperous nation. Unemployment is down to a record minimum, prices are rising, railroad traffic is increasing, both export and import trade are improving, with a balance in favor of the former; the big textile and steel industries are active, with improving orders, chemicals are in great demand, leather is looking up, and so on through most of the great French industries. Apparently all is for the best in the best of all possible worlds.

Yet the sceptic persists in finding chinks in the armor. European business conditions since the war have been so paradoxical of themselves that the truth about them can often be correctly stated only in the form of nonsense. On this matter of prosperity, for instance—it is quite exact to say that the soundest countries have not been prosperous, that the most unsound countries have been at times the most prosperous, and that unsound countries which have become sound have thereby passed from prosperity into depression. As an example of the first we may take Great Britain; of the second, Germany, and of the third, Czecho-Slovakia.

A Difference

That France is prosperous is not necessarily the same thing as that France is sound. From the banking point of view France is sound enough —the franc is selling lower than it has earlier this year, to be sure, but higher than it sold in 1920; note circulation is no larger than it was two years ago, gold and silver cover is about the same as it has been for years; discounts are a billion francs higher than last year at this time, but this is readily accounted for by the business improvement which has come during this period; deposits and advances to the State are not much different from what they have been.

If France is inflating, then, it is not inflating in the usual way. There has been a more subtle and indirect kind of inflation, however, which is expressed in the accompanying figures of the growth of the French internal debt.

French budgetary figures have been subject to so much criticism on the ground that they conceal essential facts that it seems merely confusing to quote the usual figures of Government revenue, expenditure, deficit, and the like. From a survey of French fiscal policy since the beginning of the war, at least this much emerges clearly in broad outlines:

That France has pursued the policy of financing its end of the war by means of borrowing from its people, rather than by taxing them; in fact, raised during the war taxes amount to a very small part of the war expenditures;

That since the war the French Government has not balanced its budget in any one year, and that the various deficits have been estimated anywhere from 4 to 30 billion francs annually;

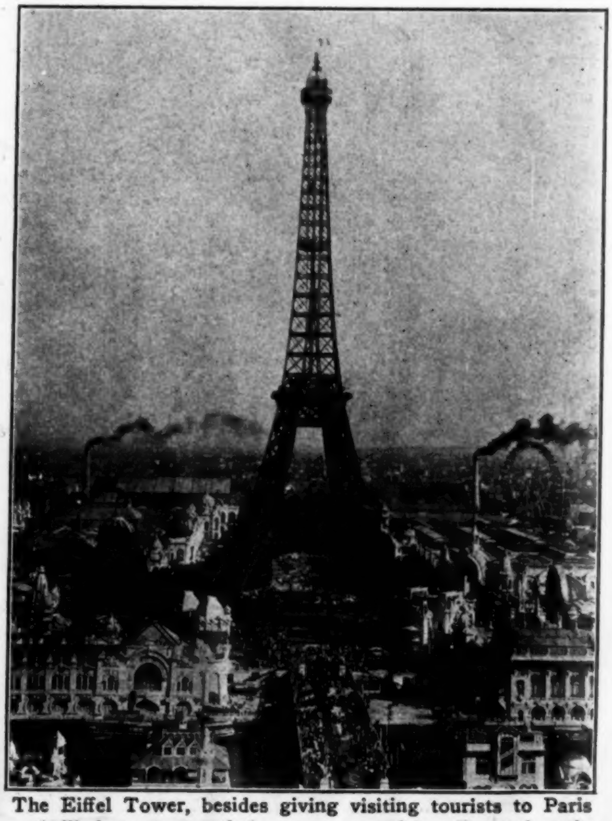
That the service of interest and amortization on its domestic debt, owed by the French Government to its own citizens, has become proportionately a greater burden on the budget than it ever was before, amounting at present time to 55% of all expenditures;

That, so far, the French investing public has been willing to take as much as necessary of these flotations of Government short and long-term bonds, but that the rate of interest has had to be increased steadily.

France has hitherto evaded the vicious circle of inflation—deficits, note issues, higher prices, bigger deficits, more note issues, etc. It has worked itself into a vicious circle of its own, however, which works as follows: deficits, bond flotations, domestic prosperity (based on Government expenditures of money raised by the bond issues), surplus profits go into more bond issues, more bond issues create more apparent prosperity, etc.

The question is, can this be kept up indefinitely? If debt service is now 55% of Government expenditures, where it was, say, 10% before the war, it is not difficult to foresee the time coming when debt service will be 60, and 70, and 90, and close to 100% of all expenditures. The more France borrows, the heavier the burden and the greater the necessity of fresh borrowings.

From the point of view of pre-war public finance, all this seems horrible and disastrous. The old-fashioned statesman would argue that the time is bound to come when the Government's needs for borrowings would exceed the profits arising from the prosperity created by previous borrowings. When this time comes, he would



The Eiffel Tower, besides giving visiting tourists to Paris a thrill, houses one of the most powerful radio stations in the world

say, France will have to have recourse to increasing the note issues through further borrowings from the central bank, and then it will be the German story all over again.

This sounds plausible, and it may be correct—but on one condition. If the war has not left a permanent impression on European economic life; if it is really possible to turn the hands of the clock backward and return to pre-war "normalcy;" then the official French policy is all wrong and its critics are right.

Liberals in this country and in England attack French policy on the ground that it is imperialistic, and that it interferes with the restoration of the free flow of international trade as it existed before the war. Leaving out of the question the purely moral view of the right or wrong of imperialism, suppose it were impossible to restore international trade to a pre-war basis, even in the long run? The contrary has never been proved, so far as we know.

Suppose the magnificent complicated structure of European pre-war trade has been irreparably wrecked? What would be the wisest policy for a nation whose wisdom is concentrated in the aphorism, "Il faut cultiver notre jardin"? Evidently, it would be a matter of salvaging the wreckage and getting what one could.

Another Supposition

Suppose, further, that the one great rich piece of salvage is the industrial territory of the Ruhr and the Rhine? Should France secure political or financial control of this district, it does not matter which, it is clear that the benefits of the acquisition would not be felt for a long time to come. The most efficient methods of organizing production in this district, of reestablishing the old contact between Lorraine ore and Ruhr coal, of finding markets for the new production, of developing transportation routes, canals, rivers, railroads and freight ships, and hundreds of other practical questions would have to be solved by actual experimentation over a long period of years.

If we are to suppose that this is the direction and intent of French industrial diplomacy, it seems fair that the generation which receives the benefit of this expansion should also bear the burden of the costs connected with the expansion, as it will be the better able to bear it. It will explain, if not justify, the fiscal policy of the French Government for the past ten years in imposing tax burdens lightly and debt burdens heavily.

A great industrial development in France would not only be a huge source of profits, but it would solve a number of other internal problems of the first rank. The question of stationary population, for instance, which is discussed every day of the year somewhere in the French press, can arise only in a country which, like France, has a limited area and is largely agricultural.

The fear of breaking up an estate to the point where it will be uneconomically small, and the legal requirement that the eldest son be not made sole heir to the whole estate, have been powerful factors tending to keep down the number of children per family, and consequently to keep the population stationary.

In industrial states, on the other hand, there has been a strong tendency for a rapid increase of population—witness Great Britain around the turn of the

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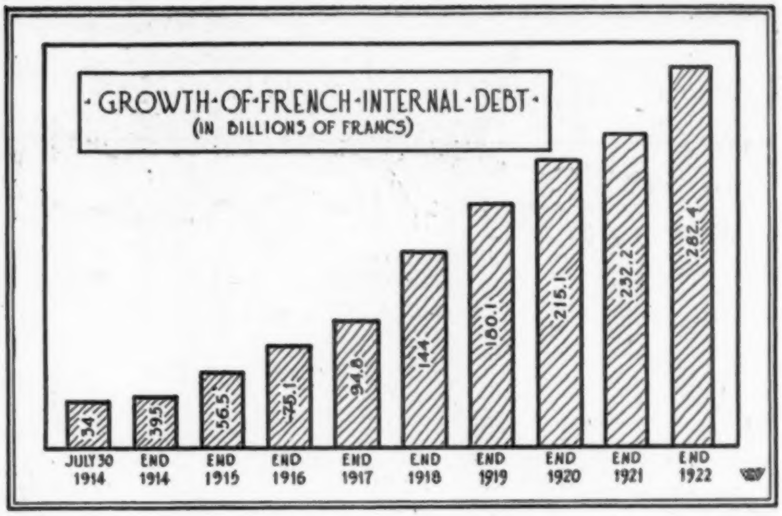


TABLE I

DISTRIBUTION OF FRENCH DEBT AT VARIOUS TIMES

(in millions of francs)

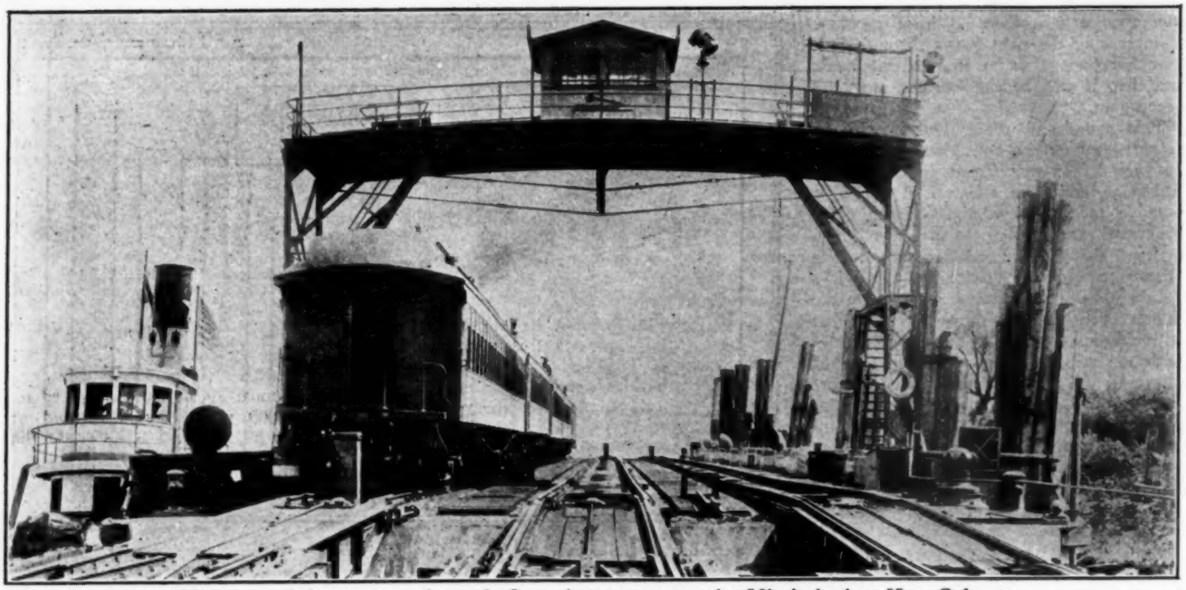
INTERNAL	July 31, 1914	Dec. 31, 1918	Sept. 30, 1920	May 31, 1921	Mar. 31, 1922	Aug. 31, 1922	Jan. 1, 1923
Fixed	32,579	67,739	121,306	136,072	155,058	159,818	145,000
Floating	1,609	49,135	81,257	86,132	87,050	93,634	137,000
Total I...........	34,188	116,874	202,563	222,204	242,108	253,452	282,418
EXTERNAL							
Fixed	.....	15,127	49,796	44,604	41,438	45,473	29,909 gold francs to Govts. of Gt. Britain and U. S.
Floating	.....	15,471	33,497	30,560	33,438	37,679	
Total II...........	.....	30,598	83,273	75,164	74,876	83,152	5,493 gold francs of commercial debt.
GRAND TOTAL.....	34,188	147,472	285,836	297,367	316,984	336,604	

TABLE II

A YEAR'S CHANGES IN STATUS OF THE BANQUE DE FRANCE

(in millions of francs)

	Oct. 5, 1922	Oct. 4, 1923
Holdings of gold, silver, etc.......	5,820	5,833
Discounts	2,832	2,846
Loans and Advances..............	2,094	2,125
Note Circulation	37,514	38,530
Deposits	2,341	2,147



How one of the transcontinentals floats its cars across the Mississippi at New Orleans

Prospects for the Leading Trunk Line Systems

What Holders of Erie, B. & O., Pennsylvania and N. Y. Central May Expect

By JOSEPH M. GOLDSMITH

THE railroads connecting the eastern seaboard with such middle-western traffic centers as Chicago and St. Louis come under the classification of trunk lines. Strictly speaking, there are only four, namely: the New York Central, the Erie, the Pennsylvania and the Baltimore & Ohio. On the map at least the Chesapeake & Ohio has the appearance of a trunk line, but it has never been considered such in railroad circles. It is primarily a coal carrier rather than a trunk line. The territory which these four systems serve is ordinarily spoken of as trunk-line territory. In a general way it includes the states of New York, Pennsylvania, Ohio, Indiana and Illinois.

The companies operating in this section have made a very favorable showing so far this year. The recent action of Baltimore & Ohio in resuming dividends, Central's increase from a 5% to a 7% rate, and the fact that Erie is earning a substantial balance applicable to its common stock, furnish abundant evidence that the operating situation in this part of the United States has been highly satisfactory.

As a matter of fact, this is true of virtually all the eastern roads, with the exception of those located in New England, and equally true in the case of the Southern lines. The companies in the west, on the other hand, have not been so prosperous. **Whereas the eastern lines are securing immense revenues, there are few roads west of the Mississippi that have regained their pre-war earning power.**

Expansion of Traffic in the East

What economic conditions underly the relative prosperity of the trunk lines and other companies operating in the same territory? Why are they enjoying a large net income while the majority of their western neighbors, which in years gone by were equally lucrative properties, are securing insufficient or decidedly poor results?

The trunk lines serve the great industrial section of the country. Here are located the important manufacturing centers. The Pittsburgh district originates more tonnage than any other in the United States. The volume of traffic is governed by the degree of industrial activity that prevails. The crop situation, which is a vital factor with the western lines, does not command the same importance in the east.

Since the latter part of 1922, most of our basic industries have been operating at a high rate. For many months the production of iron and steel has been near present capacity, and although unfilled orders have declined there has as yet been no corresponding recession in the output. The volume of steel turned out is a reliable index of the condition of general business for all our manufacturing industries are consumers of steel. Although the pace has slackened somewhat since the early part of the year, 1923, when viewed in retrospect, will probably be classed as a year of marked activity.

Let us see how the business conditions in the East have actually affected the traffic of the trunk-line roads. For the first seven months of 1923, the roads located in the Eastern District, including New England, carried the equivalent of 115 billion tons of revenue freight one mile, as compared to 78 billion tons in the same period of last year. This represents an increase of 47%. It illustrates the tremendous growth of railway traffic in this section as compared to the first part of 1922, when the boom in general business was just getting under way.

There has been a similar but not proportionate increase in other parts of the country. In the Southern District revenue ton miles were 27% ahead of last year, while in the West the increase was 26%. The per cent of loaded cars to total cars moved was also slightly better. Only the record volume of business has enabled the roads to prosper on the rates now in force.

We must bear this latter point in mind in attempting to forecast the future earn-

ings of the trunk-line roads, and this applies also to the railroads in other districts. When traffic falls off, for we do not seem justified in assuming that it will remain permanently at the present level, the roads will be faced with a grave problem. The unit cost of moving the traffic will advance, unless the prices of railway supplies or the wages of railway employees decline. Neither of the latter is probable. **Consequently, without an increase in rates, and whatever discussion of the subject has recently taken place, has been in the other direction, the present earning power could not be maintained.**

The acute weakness in most railroad stocks during the past year is attributable to the fact that this possibility is being discounted. The rails have failed to respond to the favorable earning statements now being made public. This is apparently due to a realization that these earnings will fall off if the recession in business that has already been noted becomes more marked. Herewith follows an analysis of four leading trunk-line systems.

PENNSYLVANIA RAILROAD

The Pennsylvania Railroad carries the largest volume of traffic of any railroad in the country. The lines form a network over the greater part of trunk-line territory. The tremendous size of the road together with the traditional conservatism and soundness of its financial policy have combined to place its stock on an investment basis, the stability of which is enjoyed by few other railroad issues.

Its unbroken dividend record extends back to 1856. From 1908 to 1920 a uniform rate of 6% was paid, amounting to $3 per share on a $50 par value. In 1921, however, its finances were in such an unfavorable condition that the management regarded a temporary reduction in the dividend desirable, and 4% was paid until the end of 1922. The customary 6% rate was then restored, and Pennsylvania again appears firmly established as a stable dividend payer.

On the basis of operations for the first eight months, there will be a satisfactory margin of safety over dividend requirements. In 1922, net income equalled only $3.25 per share on the company's stock, of which there is practically a half a billion outstanding. Results during the current year have been slightly more favorable, especially during the last few months. Earnings for this year, therefore, will probably amount to $4.50 per share.

At its current price the yield on Pennsylvania Railroad stock is about 7%. In years gone by, such an attractive basis for this stock was unheard of. In periods of relatively poor traffic, the earnings applicable to the stock are not likely to be much over didivend requirements, as long as present high operating costs continue. **Under these conditions a 7% return is no less than that to which the investor is entitled.**

NEW YORK CENTRAL

Relative to its size New York Central has a small amount of stock outstanding. High earnings this year are producing a large net income per share. Whereas Pennsylvania has about half of its capitalization in the form of stock, Central has little more than a quarter. On account of the small base over which net income is apportioned, in a profitable year, such as the present one, earnings per share give a somewhat exaggerated picture of the actual situation. A comparatively small shrinkage in revenues would bring the balance applicable to the stock to more reasonable figures.

The fact that Central's earnings are running at the rate of $20 per share is, therefore, to be taken with a grain of salt. It must not be assumed that they will always remain near this figure. They have been so favorable, however, for the past several years that the company increased its dividend rate from 5% to 7%. Not since 1884 has a rate as high as this been paid. Whether it will be permanent or subject to downward revision when the record movement of traffic subsides is an open question. **There seems little prospect of any new developments in regard to the stock which will cause it to reach much higher levels.**

ERIE

The Erie has always been the weakest financially of the trunk lines. This unfortunate situation was due as much to early mistakes in construction as to the frenzied finance in which its owners indulged. It was run in the interests of those engaged in manipulating its securities rather than from a sound operating standpoint.

During the last fifteen years or more its management has been diligently endeavoring to overcome the effects of these early excesses. The property has been built up and placed in better physical condition than ever before. The burden of over-capitalization still remains as a heritage of the old days when Erie was made a football of Wall Street. But in time even this may be overcome.

This year the road has been handling an extremely heavy traffic. Gross revenues for the period ending August 31st were almost $90,000,000 compared to only $66,000,000 for the same period of the previous year. There is no doubt that the total gross revenues for 1923 will be by far the largest in the company's history and well ahead of the record year 1920. Net revenues have improved correspondingly. Up to August 31, $11,000,000 in net operating income has been produced in comparison to a mere $533,000 for the first 8 months of 1922.

Notwithstanding the splendid showing, dividends on its stock issues are virtually out of the question. The company should be placed in a much sounder credit position before any payments to stockholders are inaugurated. **At slightly lower levels, however, the various Erie issues have good possibilities from a long-range viewpoint.**

BALTIMORE & OHIO

The Baltimore & Ohio was very severely affected by the traffic dislocations incident to the war. It was used almost entirely as a coal road and it has required several years for the company to regain some of the traffic which was taken away during the period of Federal control. Dividends on its common stock which were suspended in 1918 were not resumed until a month ago, when the stock was restored to a 5% basis.

The marked improvement in earnings, which first became apparent in the latter part of 1922, has continued at an accelerated pace during the first eight months of the current year. The large quantities of coal and iron products moved, have resulted in enormous revenues. For the period ending August 31, gross revenues for 1923 equalled 173 millions as compared to only 126 millions last year. Net operating income of 31 millions was double

(*Please turn to page* 86)

OPERATING STATISTICS
Period Ending July 31.
Revenue Ton Miles (In Millions)

	1923	1922	% Increase
Eastern Dist.	115,018	78,276	47
*South. Dist.	32,060	25,110	27
West. Dist.	75,374	59,636	26

* Exclusive of Pocahontas District.

INCOME ACCOUNTS
Period Ending July 31 (In Millions)

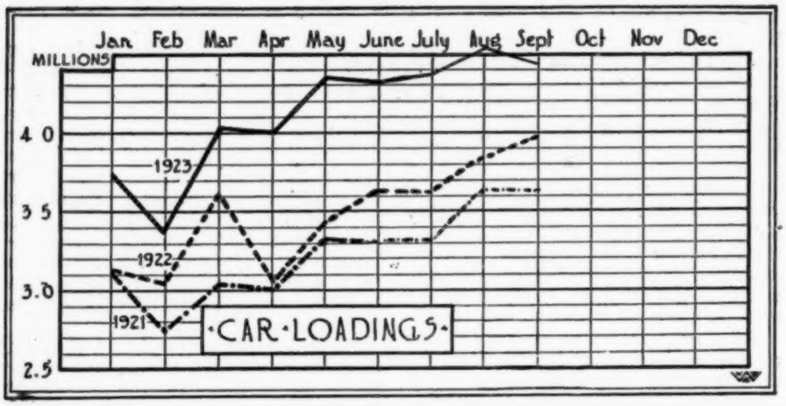
	Eastern District			Southern District*			Western District		
	1923	1922	% Inc.	1923	1922	% Inc.	1923	1922	% Inc.
Railway Operating Rev.	$1,746	$1,390	26	$471	$400	17	$1,283	$1,145	12
Rwy. Operating Expenses	1,368	1,116	22	364	312	16	1,028	907	13
Net Operating Revenue	377.9	273.3	38	107.5	88.1	22	254.6	237.3	7
Operating Ratio	78.37%	80.34%	..	77.21%	77.99%	..	80.15%	79.27%	..
Net Rwy. Operating Income	260	179.1	45	77.6	61.2	27	162.1	145.4	11

* Exclusive of Pocahontas District.

September Railroad Traffic Below Expectations

Seasonal Increase Fails to Materialize—Earnings Good, But Less Than in August

By ARTHUR J. NEUMARK



FOR the first time this year, monthly carloadings were lower than in the previous month. Normally, September is a month of heavier traffic than August, but general slackening of business reduced the volume slightly below that of the previous. However, carloadings were considerably in excess of the corresponding month of last year.

Net earnings for the Class I roads, as a whole, were higher than in September 1922, but in most cases fell below those of August 1923. The outstanding exceptions were the Northwestern and Transcontinental lines. Grain shipments were heavier, as was to be expected, and as the roads in the above sections had charged off liberal sums for maintenance in previous months, they were able to make very satisfactory showings. Indications are that Northern Pacific and Great Northern will earn this year's dividend requirements despite the hardships and unfavorable factors with which they have been contending all year.

Carloadings for the first two weeks of October were considerably in excess of the corresponding period of the previous month, but were slightly below the record volume of traffic for the week ended September 29th. Advance reports for the third week of October, however, indicate a new record volume for the year, and there is every reason to believe that carloadings for the month will set a new record for all time. Net earnings should be large, but it is not expected that they will surpass the March and August showings of this year.

The traffic outlook for the balance of the year continues satisfactory. Volume of traffic will probably not come up to earlier expectations, but it probably will be considerably in excess of the corresponding period of last year.

CLASS 1 ROADS
(000 omitted)

	Net Oper. Income	*Month's Normal Earnings to Give a 5.75% Return
July, 1922	69,289	99,290
August	52,579	109,400
September	58,457	121,000
October	85,255	132,000
November	105,000	109,000
December	95,000	92,300
January, 1923	60,874	70,000
February	38,800	56,000
March	83,568	89,700
April	83,201	75,100
May	89,999	82,900
June	87,624	95,400
July	84,615	99,700
August	98,400	114,400
*September	98,000	118,800

* Estimated.

ESTIMATED ANNUAL EARNINGS OF RAILROADS BASED ON FIRST NINE MONTHS OF 1923

The following table is compiled on the actual average of the first nine months' net income to the total traffic year for the past ten years for each individual railroad, allowing for seasonal variations of traffic.

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison	....	....	....	$13.30
Atlantic Coast Line	....	....	....	17.75
Baltimore & Ohio	....	....	....	14.65
Canadian Pacific	....	....	....	10.00
Central R. R. of N. J	....	....	....	5.10
Chesapeake & Ohio	....	....	....	5.60
Chicago & Alton	....	....	....	3.10
Chicago & Eastern Illinois	....	....	5.45	....
Chicago, Mil. & St. Paul	....	98	....	....
Chicago & Northwestern	....	....	....	3.50
Chicago, R. I. & Pacific	....	....	....	2.00
Colorado & Southern	....	....	[7]4.00	....
Delaware & Hudson	....	....	....	10.85
Delaware, Lackawanna & Western	....	....	....	6.00
Erie	....	....	....	2.00
Great Northern	....	....	5.90	....
Gulf, Mobile & Northern	....	....	....	2.00
Illinois Central	....	....	....	12.35
Kansas City Southern	....	....	....	5.30
Lehigh Valley	....	....	....	1.10
Louisville & Nashville	....	....	....	[6]12.05
Minn., St. Paul & St. Ste Marie	....	....	....	5.55
Missouri, Kansas & Texas	....	....	....	.50
Missouri Pacific	....	85	....	....
New York Central	....	....	....	16.00
N. Y., Chicago & St. Louis	....	....	....	9.70
N. Y., N. H. & Hartford	....	66	....	....
Norfolk & Western	....	....	....	11.70
Northern Pacific	....	....	....	4.90
Pennsylvania	....	....	....	[1]4.50
Pere Marquette	....	....	....	6.45
Reading	....	....	....	[5]10.00
St. Louis-San Francisco	....	....	....	4.35
St. Louis Southwestern	....	....	....	12.25
Seaboard Air Line	....	....	....	.25
Southern Pacific	....	....	....	[3]11.75
Southern Railway	....	....	....	10.00
Texas & Pacific	....	....	....	4.15
Union Pacific	....	....	....	13.50
Wabash	....	....	....	[4]3.70
Western Maryland	....	....	[8]7.00	....
Western Pacific	....	....	....	4.90

[1] $50 par value. [2] On the 7% first preferred. [3] Without oil income and after capital adjustments. [4] Assuming that all of the outstanding preferred B is converted equally into preferred A and common stocks. [5] This includes total earnings of Philadelphia & Reading Rwy., all of whose stock is owned by Reading. [6] On the basis of the increased capital stock outstanding. [7] On the 6% preferred. [8] On the 4% 2nd preferred.

Facts About Municipal Bonds That You Should Know

A Penetrating Analysis of the Municipal Bond Situation with Some Helpful Hints to Investors

By WM. J. BLAKE

". . . apply to municipal bonds the same standards of caution and investigation that you apply to industrial and railroad investments. It is precisely because municipal bonds, as a group, are among the most desirable investments, that they are worth all this care. We search for flaws in diamonds, not in imitation pearls. Have faith in municipals, but discriminate . . ."

WE live in an age of speeding-up. The tempo of life is getting faster. Formerly, people increased their personal expenditures very slowly, today very quickly. It is considered "smart" and "up-to-date" to be a conspicuous spender and one is "slow" if he maintains the old-fashioned virtues of watching his step.

The transition in newer communities from dirt roads to cobblestone pavements took fifty years, but it took only ten years for a further transition to asphalt roads, flanked by lobster palaces and country clubs. It took a hundred years to evolve from the tavern to the modest restaurant with wooden tables and plain white tablecloths, but merely a decade to evolve from the restaurant to the gilded restaurant with quintupled prices for alleged "service."

In fact, we no longer live in the age of primary but of secondary things. Luxuries are increasingly commoner. A larger part of the family budget goes to amusements and extravagances than was characteristic of "Victorian" times.

Also True of Our Cities

The same disease has hit the states and the municipalities. Formerly government meant merely the policeman, the water supply, the common school and the minimum roads. Today a city lacks a "civic ideal" if it omits serving tidy lunches to school children, or does not maintain recreation piers, or municipal hockey rings for the youngsters, or a "departmental" system in its schools, whereby its youth are taught not three simple subjects thoroughly, but skirt the frontiers of ten domains of knowledge. No road is a "good" road, unless it can bear up under the usage of Rolls Royces.

As for other municipal undertakings, such as swimming pools, why these are already old-fashioned necessities. And the worst of all this is that you are an "ungenerous crab" if you are opposed to all this, and what is more you are an enemy of the younger generation, and of its physical and spiritual well being.

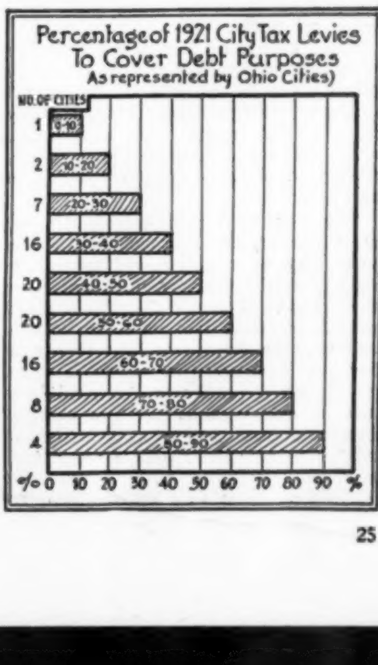
Even art seems to be a necessity. All our newer court houses look either like counterfeit Greek temples or Roman baths, and they are mighty costly. Like the Romans of the Imperial time, we boast that we have found Rome a city of brick and left it a city of marble. Like them we forget that luxuries are permissible only to the extent that the economic basis of the state can withstand the strain.

In the year 1880, our municipal, state and other government bonds, other than Federal, totalled \$1,123,000,000; in 1890, \$1,137,000,000; in 1902, \$1,864,000,000, and in 1913, \$3,821,000,000. The per capita increase has been from \$22.40 in 1880 to \$39.37 in 1913. But what has been the history of the last decade? This total has risen from less than four billion dollars to more than twelve billions. The per capita burden is now about \$110 and possibly more.

It took thirty-three years for the tax burden to double, or if we take 1893, as a base, it took twenty years for the tax burden to double. It took ten years for it to triple. **The bonded indebtedness of our minor civil subdivisions is thus increasing at a rate three times as swift as at any preceding epoch.** But then there is always the plea that this increase is a necessity because population is increasing, and therefore the complexity of government is increasing, and the further plea that wealth is increasing. But for once this excuse is seriously lacking. The population of all of these states, and their subdivisions increased only by about 10% in the decade from 1913 to 1923. **Owing to the war and the curtailment of immigration, we had the slowest growth in our history in population, at the very time when we have the greatest rate of increase in state and municipal indebtedness.**

As to wealth there is a more sorry story still. According to Ingalls it is doubtful, if from 1913 to 1920 there was any increase whatsoever in the physical wealth of the United States. This is not to be confused with the value of goods. Values rose tremendously, but wealth did not. It is doubtful if there is in the United States in 1923 ten per cent more physical goods than there was in 1913, in fact this is the first decade in American history where it is obvious that the increase in physical goods may not have kept pace with the increase of population. Hence at the moment when this bonded indebtedness has had an insane acceleration, the boasted increase in wealth has been least.

Now this was not true prior to 1913. The real wealth of the United States increased greatly from 1893 to 1913. The population increased by almost half, there was no wasteful war, and the per capita



HOBOKEN

A typical city

Population stationary

	Tax Rate %	Assessed Val., All Taxable Property	Net Bonded Debt
1915-16	1.485	$71,187,000	....
1916-17	1.480	73,177,000	$3,645,000
1917-18	1.447	79,745,000	3,235,000
1918...	1.558	86,925,000	3,129,000
1919...	1.335	107,538,000	4,246,000
1920...	2.767	87,549,000	6,282,000
1921...	3.232	88,722,000	6,348,000
1922...	3.135	92,446,000	6,474,000
1923...	3.416	92,798,000	....

real wealth probably increased more than the per capita increase in state and municipal debts. Thus we were no more heavily burdened in 1913 than at any previous time. The municipals were golden, in the sense that they represented, generally, careful forethought prior to their issuance. Outside of some hectic communities in the West, and a few dishonest ones in the South and East, the municipal bond was a legitimate indebtedness.

What then has caused this riot of extravagance at the time when the country can afford it least? Primarily the rise in prices due to the war. It took much more to finance any public construction than ever before, and instead of making the epoch of high prices a period for conservative building and improvements, there was instead an increasing construction of public buildings. Then came the tax-exempt feature of municipals, as against securities subject to the new income tax first levied in 1913. A natural market was thus created for far more municipal bonds than then existed, and the politicians and contractors took good care to see that this market was taken care of. Hence the ease of marketing bonds, coupled with the necessarily high cost of building in an epoch of high prices, both conspired to make the grand totals swell more and more.

Again an age of high prices is an age of general disregard for money. When prices are declining, and the dollar will command more next year, there is every incentive for saving. When prices are rising and the dollar will command less next year, there is every temptation to spending.

The spendthrift politicians found easy meat in a spendthrift population, and as what they were voting was mostly the next generation's money, they were more than lavish. A spendthrift who is asked to squander what does not belong to him, and what he may never have to pay, is hardly a fit custodian for the public funds. There was a further psychological basis for this extravagance. As war earnings became diffused, and as workers bought silk shirts and flivvers, there was a general rise of standards of living. The palatial movie at fifty cents a seat, replaced the humble Nickelodeon, with its single pianist. Hence men were ashamed of inferior buildings, and of inferior roads, etc., and it was felt that municipal things should equal other things. Parents were annoyed to think that their children attend school in mean school buildings. This type of mind is always with us, but this decade has given it its grand opportunity.

A Defense?

Lately a prominent banker defended this orgy of bonds. He has stated that no one would return to the dirt road, and that wherever the newer roads have been built they have increased the value of the neighboring farm lands by more than $10 to $25 an acre, besides adding to the value of all the items produced on the farms. And these roads cost only $25,000 a mile.

There has never before been so much nonsense packed into a single paragraph, yet this statement was welcomed as a valuable counter-thrust to those who are forever "bawling" about debt inflation. He forgets that roads add to the value of land only when the value of the land is rising. For example, if farm land is worth $100 an acre, these roads may make it worth $125 an acre, but should there be a 50% deflation in farm land values (which expert opinion believes, as these values are the most inflated of all), the land would then be worth only $62.50 per acre, and the economic capacity to pay for the bonds would be wiped out.

What he means by saying that it adds to the value of his produce, no one can ever know. The price of wheat is the world price, of cotton the Liverpool price, etc. If he means that he will save haulage costs, the answer is that this is precisely what has made his acreage more valuable, so that the learned banker has counted the same things twice.

The fundamental fallacy of governmental extravagance is that values are created to meet the bond service, by these very improvements. This fallacy only occurs when prices are rising, for when there is a general downward tendency of values, everyone realizes that a market decline will offset values added by governmental action, and hence bonds are issued only for what is necessary. As prices cannot hope permanently to remain at their present high level, it follows that these bonds will have to be paid for when the total money value of all property is considerably less, and when the burden will be heavier than ever. For this reason, it was important that this inflation took place when the physical volume of goods rose slowly, for when physical volume rises rapidly, it sometimes acts as an offset to declines in prices and there is enough money to take care of the obligations. But this is just what did not happen.

"The New York Savings Bank Law requires that the bonds of any municipality, in order to be a legal investment for trustees and savings banks in New York, must not exceed 7% of its assessed valuation, and that the debt of this municipality shall be held to include the bonds of overlapping areas proper to the city, such as school districts. The investor would do well to consider as "out" the bonds of any district, country, or city which has approached this maximum limit too closely."

Has the flood of offerings showed a tendency to decline? Only slightly, and then probably because the market has not digested most or many of the new offerings. From 1914 to 1917, offerings of long-term municipal bonds averaged about $450,000,000 per annum. In 1919, they jumped to $770,000,000, and about the same was offered in 1920. And this jump took place when the market value of the bonds had to express the fact that interest rates were at the highest point within memory. Prior to 1917 the yields on the highest grade municipal averaged about 3.90%, whereas during 1920 at one time they were on a 5.25% basis. This was with the desirable feature of tax-exemption thrown in.

But as interest rates got lower the real flood came. In 1921, there was marketed about $1,375,000,000, in 1922 about $100,000,000 less, and in 1923, at the rate for the first nine months, it should reach $1,040,000,000. But there will probably be

(Please turn to page 69)

GROWTH OF MUNICIPAL BOND OFFERINGS 1914-1923

	Long-Term	Short-Term	Total
1914..............	$445,000,000	$286,000,000	$731,000,000
1915..............	492,000,000	154,000,000	646,000,000
1916..............	497,000,000	292,000,000	789,000,000
1917..............	444,000,000*	392,000,000	836,000,000
1918..............	262,000,000*	473,000,000	735,000,000
1919..............	770,000,000	450,000,000	1,220,000,000
1920..............	773,000,000	664,000,000	1,437,000,000
1921..............	1,383,000,000	762,000,000	2,145,000,000
1922..............	1,279,000,000	395,000,000	1,674,000,000
1923*.............	1,052,000,000	476,000,000	1,528,000,000

* On basis of first nine months.
N.B.—1917-1918, of course, were the years of war financing.

BONDS

Discrimination Shown by Investors

THERE were distinct trends in the bond market during the past two weeks. High-grade bonds displayed an upward trend, due to the easing of money rates and the unsatisfactory action of the stock market, which caused investors to withdraw their funds from speculative bonds and place them in investment issues. Gilt-edge bonds, as exemplified by the Pennsylvania issues, Atchison general and adjustment 4s, New York Central convertible 6s, and refunding 5s were in demand. Demand was not very active, but what transactions took place were at advancing prices. Liberty bonds at one time were very active and strong, due to purchases by the British government for tender on account of interest payments in November, but later reacted owing to reports of probable bonus legislation when Congress meets.

While high-grade bonds showed an advancing tendency, speculative issues were distinctly weak. Erie and Seaboard Air Line bonds held remarkably well, but other speculative issues, such as the St. Louis & San Francisco adjustment and income 6s and Missouri, Kansas & Texas adjustment 5s, were sharply lower, despite good earning reports. Missouri Pacific 6s and 4s continued to sag. There was some justification for the decline in this instance, owing to the rather unfavorable earning statements of that road. In view, however, of the continued good earning reports shown by the Chicago, Milwaukee & St. Paul, with indications they would possibly be sufficient to cover interest, the break to new lows in all the issues of that company could only be explained by the general pessimistic feeling as to the outlook for the Northwestern transcontinental lines.

The market in public utilities was a mixed affair. As a rule, these issues maintained their position fairly well. Public Service of New Jersey 5s, in which there had been liquidation owing to recent strike troubles among the traction employees, recovered to around 79, and Manhattan Elevated 4s were up 2 points, but the Interborough Rapid Transit issues were lower and New York Railways 4s lost all of their previous gains. Market Street Railway 5s were also a weak feature.

Industrials were distinctly lower. Anaconda 6s and debenture 5s made new lows of 94 and 96, respectively, influenced by the unfavorable conditions existing in the copper industry and the drastic decline of the shares. There were recessions in Union Bag & Paper 6s. Virginia-Carolina Chemical Company sold at 82, down 8 points from their recent high, and the convertible 7½s sold at around 64. On the other hand, there were some firm spots. International Mercantile Marine 6s were higher at around 79 and there was no further selling of United States Rubber 5s, which held at around 84. Bonds of the sugar companies were fairly steady, recessions in these issues being comparatively small, in view of the selling of sugar companies shares in the stock market.

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
HIGH GRADE (For Income Only)				
Non-Callable Bonds:				
Canadian Northern Debenture 6½s, 1946	(a)	111½	5.60	*
Delaware & Hudson 7s, 1930	(b)	108½	5.50	2.10
Great Northern Genl. 7s, 1936	(c)	106¼	6.20	3.75
New York Central Rfd. and Imp. 5s, 2013	(c)	†98	5.30	1.66
Western Union Telegraph Co. 6½s, 1936	(a)	109½	5.00	e 3.00
New York Edison Co. 6½s, 1941	(b)	‡109½	5.60	3.30
Bush Terminal Buildings 5s, 1960	(a)	91½	5.60	1.85
Callable Bonds:				
Armour & Co. of Del. 1st 5½s, 1943	(c)	88¾	6.40	5.00
Armour & Co. Real Estate 4½s, 1939	(a)	84¾	6.00	....
Canadian General Electric deb. 6s, 1942	(a)	102¼	5.80	4.40
Duquesne Light Co. 6s, 1941	(b)	103½	5.75	3.40
Philadelphia Company 6s, 1944	(c)	100	6.00	3.50
Short-Term Bonds:				
B. & O., P. J. & M. 3½s, 1925	(b)	95	6.20	1.35
B. & O., Southwest Div. 1st mtg. 3½s, 1925	(b)	95¼	6.25	1.35
Seaboard & Roanoke 1st 5s, 1926	(a)	97¼	6.25	....
Southern Pacific conv. 4s, 1929	(a)	93	5.45	3.40
Union Pacific conv. 4s, 1927	(b)	96	5.20	3.10
Dominion of Canada Internal 5½s, 1927	(d)	100¼	5.30	....
Bell Telephone Company of Canada 5s, 1925	(b)	98	6.25	3.75
Aluminum Company of America 7s, 1925	(a)	102½	5.60	....
Columbia Gas & Electric Co. 1st 5s, 1927	(b)	96	6.50	6.90
Fisher Body Corp. 6s, 1928	(a)	99	6.40	e 6.30
MIDDLE GRADE (For Income and Profit)				
Railroads:				
Baltimore & Ohio, 4s, 1948	(b)	70¾	6.50	1.35
Carolina, Clinchfield & Ohio 1st 5s, 1938	(c)	92	5.80	1.45
Chesapeake & Ohio conv. 5s, 1946	(b)	87¾	6.00	1.55
Cuba R. R. 1st 5s, 1952	(a)	83¾	6.25	2.45
Chicago & Eastern Illinois Gen. 5s, 1951	(c)	77	6.85	f 1.15
Erie & Jersey 1st 6s, 1955	(a)	87	7.00	1.31
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	85	6.15	1.90
Missouri, Kansas & Texas Prior Lien 5s, 1962	(c)	77½	6.60	1.10
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	101½	6.25	1.50
N. O. & N. E. Rfd. and Imp. 4½s, 1952	(a)	78⅞	6.10	2.70
St. L. & S. F. Prior Lien 4s, 1950	(c)	65½	6.85	1.10
Western Pacific 1st 5s, 1946	(c)	79¼	6.85	2.30
Industrials:				
Anaconda Copper Mining Co. 1st 6s, 1953	(b)	95	6.35	g 1.25
Bethlehem Steel Co. 5s, 1936	(a)	88	6.35	2.30
Computing Tabulating & Recording 6s, 1941	(b)	98	6.20	5.50
Goodyear Tire & Rubber Co. 8s, 1941	(c)	114½	6.55	5.80
B. F. Goodrich 1st 6½s, 1947	(b)	97	6.75	2.70
Hershey Chocolate Co. 6s, 1942	(b)	99	6.10	2.50
South Porto Rico 1st Mtg. and Col. 7s, 1941	(b)	101	6.90	2.20
Union Bag & Paper Co. 6s, 1942	(b)	98	6.35	dd 4.00
U. S. Rubber 5s, 1947	(c)	84	6.30	4.00
Wilson & Co. 1st 6s, 1941	(a)	96	6.40	1.35
Public Utilities:				
Amer. Water Works & Elect. Corp. Col. 5s, 1934	(c)	84½	7.10	1.80
Dominion Power & Transmission 1st 5s, 1932	(a)	89	6.60	2.10
Denver Gas & Elec. 1st and Rfd. 5s, 1951	(c)	85½	6.10	e 4.70
Havana Elec. Ry. Light & Power 5s, 1954	(a)	80	6.50	5.00
Manhattan Railway Cons. 4s, 1990	(a)	57¼	7.00	g 0.90
Pacific Gas & Elec. Genl. and Rfd. 5s, 1942	(a)	89	5.90	2.05
Public Service Corporation of N. J. 5s, 1959	(a)	78½	6.60	1.75
Utah Power & Light 5s, 1944	(a)	88½	6.00	1.60
United Fuel Gas 6s, 1936	(b)	94	6.65	5.85
SPECULATIVE (For Income and Profit)				
Railroads:				
Chicago Great Western 1st 4s, 1959	(a)	45	9.30	0.85
Erie Genl. Lien 4s, 1996	(b)	49½	8.20	1.31
Chicago, Milwaukee & St. Paul conv. 5s, 2014	(c)	54	9.25	1.02
Iowa Central 1st Mtg 5s, 1938	(a)	60	10.50	0.80
Minneapolis & St. Louis 1st cons. 5s, 1934	(a)	61	11.20	....
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	49¼	10.20	1.10
St. Louis & San Francisco Adj. Mtg. 6s, 1955	(c)	67¼	9.20	1.10
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(c)	73½	8.30	....
Seaboard Air Line 4s, 1950	(a)	50½	8.00	1.14
Western Maryland 1st Mtg. 4s, 1952	(a)	57	7.80	1.20
Industrials:				
American Writing Paper Co 6s, 1939	(a)	52½	13.40	1.30
Cuba Cane Sugar 7s, 1930	(c)	87	9.70	1.80
Empire Gas & Fuel 7½s, Series "A" 1937	(c)	90	8.75	3.30
International Mercantile Marine 6s, 1941	(b)	78¾	8.40	3.25
Virginia-Carolina Chemical 7s, 1947	(c)	82	8.50	1.20
Public Utilities:				
Chicago Railways 1st 5s, 1927	(a)	76	13.90	1.08
Federal Light Traction 7s, 1953	(b)	98	7.15	2.10
Interboro Rapid Transit 5s, 1966	(a)	59½	8.60	0.90
Third Avenue Railway Rfd. 4s, 1960	(b)	56½	7.50	i 1.35
Virginia Railway & Power 5s, 1934	(a)	87	6.75	1.90

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1931. ‡ Callable in 1936. ¶ This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1.000 (b) Lowest denom., $500. (c) Lowest denom., $100. (dd) Average last two years. (d) Lowest denom., $50.

e Average last three years. f 1922. g Average last four years. i Does not include interest on adjustment bonds.

Ten Preferred Stocks That Are Well Worth Watching

"Thin Market Stocks" and the Opportunities They Present—Patience Needed

By FRED L. KURR

A DECLINING market will generally affect in a sympathetic way many types of issues that are not of a particularly speculative character and which should therefore ordinarily remain more or less immune to such influences. Even preferred stocks of the highest type have been known to sag in a bear market, even when there had been no question of the integrity of their dividends. Frequently, therefore, situations arise which offer the careful and patient investor some really remarkable opportunities. This is especially true of a certain type of preferred stock which for want of a better name we shall call "thin market stocks," that is to say, stocks which are infrequently quoted and which have wide spreads between their bid and asked price. The best stock will command no higher price in the market than the best bid and it is frequently the case in a declining market that bids are either withdrawn altogether or placed considerably below the last actual sale.

As an example of how preferred stocks act in a bear market, let us cite General Cigar 7% preferred as a typical case. This is a sound issue and has paid dividends without interruption for 18 years. In the past five years, it has earned its dividend five times over, as an average. Yet, in the bear market of 1921, this stock sold as low as 84 or more than 20 points under the present market price, despite the fact that in 1921 the dividend was earned 6 times over.

Another illustration is American Ice 6% preferred which sold as low as 57 in 1921, or 25 points under the present selling price. Incidentally, 1921 turned out to be the most profitable year in the history of the company. These two are typical illustrations of the attractive opportunities that can be had periodically in the preferred stock group, provided the investor has the patience to wait for them. Inasmuch as the present is a declining market, it would obviously pay to wait until these stocks declined to a point to make them reasonably attractive.

In the accompanying table, ten stocks are listed that have had a price range from their 1921 lows to their 1923 highs in excess of 25 points and in some instances as high as 35 points. Despite these market swings, dividends on these issues were never seriously threatened. Should they go through a market decline in any way comparable to their decline in 1920-1921 they would be well worth adding to an investment list. These stocks are all attractive from an investment viewpoint and their dividends have been earned with a wide margin. A brief description of the statistical position of each follows herewith:

ALLIS-CHALMERS Allis-Chalmers 7% cumulative preferred stock is outstanding to the amount of 16.5 millions and has prior claim to the assets and earnings of the company as there is no funded debt outstanding. Balance sheet as of December 31st, 1922, excluding patents, good-will, etc., showed net assets equivalent to $250 a share and the working capital of the company alone was 7 millions in excess of the preferred stock outstanding.

Earnings for the first six months of the current year were equal to 4% on the preferred stock, but for the full year it is expected that the dividend on this issue will be earned about twice over. The company is in very strong financial position actually having more working capital than is necessary for the conduct of its business. As of December 31st, 1922, the marketable securities on hand totaled 9.4 millions. It can readily be seen therefore, that even should the company go through an extended period of depression it should be able to maintain the preferred dividend.

AMERICAN ICE While American Ice in the past five years has only shown the preferred dividend earned on the average of 2.2 times over, recent earnings have been on a more favorable basis. In both 1921-22, the preferred dividend was earned 2¼ times. Despite the fact that American Ice values good-will, water and patent rights at 17 millions the net assets of the company entirely excluding this item were equal, as of October 31st, 1922, to $96 a share on the preferred stock. In the past two years, American Ice has put many millions back into its property and now has manufacturing facilities sufficient to cover all its needs, no longer relying on the natural product. The company's earnings appear to be well established on the present favorable basis. Its business is such that it is not affected to any large degree by general business conditions. There are 15 millions of the 6% non-cumulative preferred outstanding. Funded debt is 5.6 millions. The preferred stock

SOUND PREFERRED SPECIALTIES THAT HAVE SHOWN WIDE MARKET FLUCTUATIONS

Preferred Stocks—	1921 High	1921 Low	1923 High	1923 Low	*Price Range in Points	Unbroken Dividend Record	†Divid'd Times Earned	Div. Rate
Brown Shoe	90	70	99	91	29	11 years	2.2	7
Cuban-Am. Sugar	95	68	102½	92	34½	14 years	6.4	7
Allis-Chalmers	90	67½	97½	89⅞	30	8 years	2.8	7
Am. Steel Fdries.	95¼	78	105¼	97⅞	27¼	5 years	5.0	7
Cluett-Peabody	89	79½	110	101⅛	30½	11 years	4.7	7
American Ice	78¼	57	89	78	32	6 years	2.2	6
Asso. Drygds. 1st.	76¼	55¾	89	82½	33¼	6 years	3.0	6
General Cigar	100	84	110	104½	26	18 years	4.9	7
Kelsey Wheel	94	75	104½	98	29½	8 years	8.3	7
Mack Truck 1st.	76	63½	99¼	87	35½	4 years	‡2.8	7

* From 1921 low to 1923 high.
† Average number of times earned last five years.
‡ Average for four years.

THE MANUFACTURING PLANT OF MACK TRUCKS

When a preferred stock has over $200 a share net liquid assets behind it, and no other security ahead, it is certainly in a very sound position

is in a secure position with regard to its dividends.

MACK TRUCK Mack Truck 7% 1st preferred stock is outstanding to the amount of 10.9 millions. The company has no funded debt and is entirely free of bank loans. As of December 31st, 1922, working capital alone was approximately 20 millions and at the present time is probably more than twice the amount of the first preferred stock outstanding. When a preferred stock has over $200 a share net liquid assets behind it and no other security ahead it is certainly in a very sound position.

It is true that Mack Truck's business fluctuates with general business conditions, but the company is the dominating factor in its field, the manufacture and sale of heavy trucks and an optimistic view of the future appears warranted. For the first six months of this year, net earnings were equal to nearly 40% on the first preferred stock. Despite the strong position of this security it sold down in 1921 as low as 63¾, and should we run into another period of depression, the opportunity will probably be offered to pick up this stock at considerably lower levels than those now prevailing. At such levels, it would be an exceedingly attractive issue.

ASSOCIATED DRYGOODS Associated Drygoods 1st preferred stock, of which there are 13.8 millions outstanding, is rapidly getting into a stronger investment position due to the steadily increasing earnings of the company. In 1917, the company's first full year of operations, 11% was earned on this issue, whereas in 1922 27% was shown. Operations have been on a more favorable basis this year. Associated Drygoods has no funded debt. Because of the conservative dividend policy in regard to the common stock it has plowed back large sums into the property and is now in sound financial condition. This company appears to be definitely on the upgrade.

KELSEY WHEEL Kelsey Wheel is entirely free of funded debt and bank loans and there are only 2.4 millions 7% cumulative preferred stock outstanding. Working capital of the company as of December 31, 1922, was 4.7 millions and net tangible assets were equal on this date to over $400 a share on the preferred stock. Since the incorporation of the company in 1916, in no year has it failed to earn the preferred dividend at least 3½ times over, and in 1922 it earned the preferred dividend 10 times over. This company operates the largest complete automobile wheel plant in the world and makes wheels for the most prominent manufacturers in the country. This preferred stock is unusually attractive among other issues in its field.

CLUETT PEABODY Cluett Peabody is the largest manufacturer of collars in the world. It also manufactures shirts, handkerchiefs, night robes and other articles of apparel. Its products are sold throughout the United States and in many foreign countries. There are 8.4 millions 7% cumulative stock. The company is entirely free of funded debt. Balance sheet as of June 30th, 1923, showed bank loans of 3.8 mil-

(*Please turn to page* 95)

Litigation Between Louis Guenther, Editor The Financial World, and Rudolph Guenther-Russell Law, Inc., and Magazine of Wall Street Terminated

THE libel actions brought by Louis Guenther and Rudolph Guenther-Russell Law, Inc., against the Ticker Publishing Company have been discontinued by mutual consent of the parties upon the recommendation of their respective attorneys and through the efforts of Justice O'Malley of the Supreme Court before whom the cases were called for trial.

Since the initiation of the controversy between the Financial World and The Magazine of Wall Street and the institution of its libel action, calm reflection disclosed that there was no occasion for the publication of the matter complained of. The readers of both publications are entitled to be relieved of the history or progress of any differences between the respective managements.

The primary object of both publications should be to serve the financial community. This object it is felt will not be furthered either by a continuation of the law suit or the use of the columns of either publication for the airing of this controversy which is now a closed chapter. Both publications are endeavoring to maintain a high standard, particularly with respect to the advertising appearing in their columns. It is felt that there is ample opportunity for the useful functioning of both publications in the interests of their readers and of the financial community, and that these objects will not in any way be served by the continuation of the litigation.

We know that this action will meet with the approval of the financial community including the readers of the respective publications.

The spirit of the negotiations which led to the adjustment of the litigation with the Financial World has resulted in the withdrawal by mutual consent and with the approval of the Court of the action instituted by Rudolph Guenther-Russell Law, Inc.

Two Sensational Industrial Collapses

The Columbia Graphophone and American Writing Paper Receiverships and What They Seem Likely to Lead to

By W. M. GEOFFREY

The Columbia Graphophone Collapse

IF you take the stock market and the business world seriously—and those who stop to consider do take them very seriously—you will agree, no doubt, that no greater commercial tragedy—no more vivid industrial reversal—has occurred in recent years than that represented by the downfall of the once-mighty Columbia Graphophone Company.

Here was a company which, through tedious years, carried on a long and serried struggle toward success; which suddenly had Success—with a very large S—dumped into its lap—and that in a measure and with a suddenness that were equally unbelievable; which, in seeking to make the most of its success, was led to adopt a policy of frenzied expansion—arousing the enthusiastic plaudits of all the articulate members of the financial and business world in the process, by the way; but which, just when its affairs seemed to be at their best—just when current business was biggest and the outlook seemed brightest—suffered a reversal as far-reaching as it was sudden, a reversal which saw the company's existing prosperity, not to speak of its prospects, crumble away into something closely resembling chaos.

Certainly, the story is full of high lights: Here was a company which had started out, in the form of the old American Graphophone Co. with a "plant output" of some negligible figure like four machines a day, a "plant" consisting of a single back room in a frame house and no earning power worth mentioning which, after years of vicissitude, had finally seen its output grown to four thousand machines a day, its inventories risen to more than 23 millions of dollars, the market price of its stock advanced to over $75 per share—or the equivalent of more than $750 per share for the original Graphophone stock—its ramifications extended to include a prosperous Dictaphone subsidiary besides a very large factory unit with plants at Baltimore and Toronto, its income grown to over 3.6 millions in 1919. Yet, almost over night, this very same company, amazing industrial success though it was, metamorphosed into a weak factor in a greatly restricted field and one which, in the face of heavy declines in sales and earnings, was finally forced to take refuge in reorganization!

Dramatic tragedy enough in this record, to be sure, to satisfy the most exacting sensation-seeker. It takes rank almost with the New Haven Railroad episode as an epic drama. Had a soulless mortal set out, ten years ago, to give business men and investors a lesson in calamity that they would not soon forget, it would have been difficult for him to conceive of a more impressive plot. Columbia Graphophone! Its 1.3 millions of common shares valued in the market a scant four years ago at $75 each, or a total market value of ninety-eight millions of dollars, offered for sale today at less than 13 cents each, or a total market value of around $170,000! It's almost past belief!

Factors Contributing to the Collapse

To the thousands of investors who were ever led to purchase Columbia Graphophone and who hold it still—to the thousands, that is, whose Graphophone commitments represent a very sizeable loss—there will be no consolation in an attempt to trace the contributing causes in the company's collapse. These thousands know that they paid a lot more for a security than it later became worth; they know that the issue is now regarded as one of the arrant gambles of the market. They may be assumed to be sore, discouraged and, perhaps, disgusted, and in their present mood probably the best course would be to leave them alone.

For those who can look upon Graphophone impersonally, however—those who have *not* lost money in it, in other words—a brief résumé of the circumstances leading up to the company's downfall may be of interest.

The downfall developed toward the close of 1920. It came with startling abruptness and without any preliminary warning. Up to September 30th of that year, the corporation's total net income had closely approximated total net for the full twelve months of the previous year; the balance, after depreciation and reserves, for the 9 months was placed at 3.9 millions by the management, or actually more than that for the full year 1919; every prospect pointed toward a record year for the company, in respect both of gross and net. Thus, early in 1921, the New York *Tribune* quoted Chairman Whitten of the Columbia board as saying: ". . . that the Columbia Graphophone Co. had just closed the greatest year in its history, both as to gross sales and net earnings."

In the light of this showing (or what, it was thought, would prove to be this showing) Columbia seemed to be in an enviable financial and stock-on-hand position. Its 23 millions of inventories (swollen from 9.5 millions in the previous year) looked to be a very real asset; with cash of 5.5 millions and receivables of 5.1 millions the which, with inventories, contributed to an apparent working capital of more than 18.5 millions—or the largest working capital in history—Columbia's position seemed well-nigh impregnable.

It was only after the returns for the last three months of 1920 had come in that Columbia's supporters realized the truth. Among other things, they learned that the corporation's much-vaunted "Christmas trade" had been a miserable failure—so great a failure, in fact, as to have cut the company's total income from 7.8 millions to 5.8 millions for the year; they had it rudely impressed upon them that the talking-machine business itself had enjoyed, during the war and post-war years, a species of vastly abnormal inflation and a rate of growth which could not be sustained. Instead of Chairman Whitten's "greatest year in respect of both gross and net," they discovered that

COLUMBIA GRAPHOPHONE CO.

TERMS OF EXCHANGE UNDER PROPOSED REORGANIZATION PLAN

Existing Securities—	New Voting Trust Certificates Deliverable to Depositors or Purchasing Stockholders: Operating Company Shares	New Voting Trust Certificates Deliverable to Depositors or Purchasing Stockholders: Liquidating Company Shares	Cash Distributable to Depositors in Lieu of Stock	Cash Price Payable by Stockholders of Old Company
$1,000 deposited indebtedness	3.75	3.75	$750	......
$1,000 Par value Factories stock*	*3.00	*3.00	600	......
$1,000 Par value pfd. stock, old company	5.00	5.00	...	$1,000
100 Shares common stock, old company	2.45	2.45	...	490
Total outstanding $9,642,572 par value preferred stock, old company, including scrip	48,212.86	48,212.86	......	9,642,512
Total outstanding 1,331,608 shares common stock, old company, including scrip	32,624.39	32,624.39	......	6,524,878
Total deposited indebtedness and undeposited 5-year notes with interest to August 1, 1923, and par value deposited and undeposited Factories stock: $21,975,456.28	80,964.21	80,964.21	16,192,842	......

* In addition to Voting Trust Certificates for the new stock, the depositors of Factories stock will receive $200 cash per $1,000 par value of deposited stock.

the year had been poor from both standpoints, with earnings on the common shares for the year cut to less than half those of the previous year. Those 23 millions of inventories, which so short a while before had appeared to be a bulwark of strength, loomed as a forbidding menace to the company's affairs. Its great plant extension, actual and prospective, of which much had been made, became a cause for keen regret rather than enthusiastic praise.

As the weeks passed, Columbia's outlook became less and less encouraging. Reports that something approaching demoralization in its handling of the agency problem filtered through. Dissension within the organization seemed rife. A management, which only a few months before had enjoyed an almost insatiable demand for its products, was reduced to the necessity of accepting cut-sale prices in order to move stocks and turn them into cash. Competition from other talking-machine companies—always keen—became keener than ever, and was vastly strengthened by the sudden development of the radio receiving set, which absorbed millions of dollars of the public's spending money that might otherwise have come Columbia's way.

In the effort to save itself, Columbia changed its management and resorted to some short-term financing. Still the pressure of deflation crowded in upon it, how-

(*Please turn to page* 84)

The Breakdown in American Writing Paper

THE "collapse" in American Writing Paper, insofar as a "collapse" is indicated by the appointment of receivers on October 5th, is the culmination of many years of weirdly irregular operations. Stockholders of the company have had their hopes first raised, then dashed in a succession of conflicting experiences; it seems doubtful whether, at any one time in the past ten years, even the management has fully realized where it was at.

Glance, for example, at the attached graph. Note how AWP's net income has swollen and receded—one year (1915) amounting to less than $127,000, the next year amounting to considerably more than $2,500,000, back down to $150,000 in 1917, back up to $1,250,000 and over in 1918. Certainly, it would be difficult to find another company whose record, over any similiar period, has approached this one of AWP's in point of extreme irregularity.

Stockholders' Confidence Impaired

During all these years of conflicting earnings results, such confidence as the shareholders might ever have had in the capabilities of the management and the potentialities of the company, has been seriously impaired by the credit and dividend policy which the corporation has evidently had to pursue. They have seen the company's working capital, at least in recent years, decline almost 40% (from 7.5 millions in 1920 to 4.6 millions in 1922); current loans, as measured by Notes Payable, grew from $370,000 to $1,340,000 in 1921-22; cash has steadily decreased. So far as dividends are concerned, the common stockholders have had to content themselves with none at all, while the $12.5 millions of 7% cumulative preferred stock now occupies the ludicrous position of being nearly 160% in arrears—which is to say, close to $160 per share is "owed" these preferred stockholders, insofar as any back dividends can be classified as a debt.

Why the Receivership?

Glancing over this record of APW's, it is not difficult to picture the emotions any creditor of the company would entertain. Serious doubts as to the quality of the company's credit would inevitably suggest themselves, and the temptation would be to take any course that seemed best calculated to protect his interests.

It is just this attitude—that of self-protection, which was advanced by the petitioning creditor through whose efforts the recent receivership was brought about. The claimant (in the sum of $200,000) alleged "that the corporation was solvent, but that a shortage of cash and threats of creditors' suits made conservation of assets necessary."

The appointment of receivers finds the corporation's 1st mortgage 6s, due 1939, of which $9,293,000 are outstanding, selling in the market around 54. The preferred, with its 158% back-dividend "claim," is quoted around $2 per share. The common stock has apparently dropped out of sight, although it could probably be purchased in the outside market around a few cents per share.

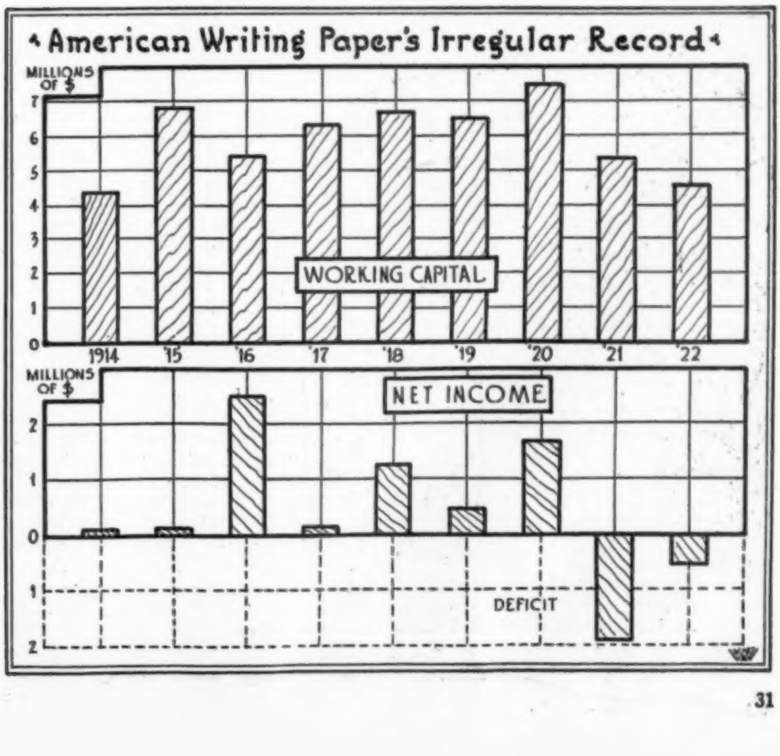
From the industrial standpoint, the AWP receivership might be found the best thing that could have happened. It will serve to concentrate a little cold, white light upon the company's real structure, and might make it possible to single out and perhaps remedy the defects that apparently exist.

Effect of Receivership Upon Security Holders

What the receivership will mean from the financial point of view has yet to be determined. Up to this time of writing, no readjustment plan has been announced; and until such a plan is forthcoming, the prospective fortunes of the security holders is more or less conjectural.

One fact, however, seems clear, and is generally accepted in the financial district. That is that the position of the company's Mortgage Bonds, even under receivership, may be better than their existing market price would indicate. The company's property holdings, which may be said to be thoroughly deflated as they appear on the books, are undoubtedly worth all of 14 millions, and this total is swelled by the existing surplus of quick assets, conservatively estimated at more than 1 million, to above 15 millions. With the $9,293,000 face value of bonds selling in the market at about 4.8 millions, the security behind the bonds apparently is well over 3 times their present market price. This margin may be called quite a little this side of the discouraging.

AWP's preferred stock and common stock, under any thoroughgoing reorganization, would probably have to be a means of raising needed working capital. Under the circumstances, it can hardly prove to be a privilege to hold them.



Heavy Machinery Manufacturer Faces Trade Decline

Allis-Chalmers Outlook Indicates Continued High Output But Declining Orders—Is the Present Dividend Rate in Danger?

BY MARTIN GOLDEN

BEFORE the war Allis-Chalmers was a concern of mediocre earning power; during the war and the subsequent boom, it never reached the earnings per share of a Crucible or a Bethlehem, but the amazing feature of its record has been its ability to sustain earnings around the $4 level of its dividend payments for the past three years, where companies with a more brilliant past showed deficits for one or more fiscal years.

The present company is a reorganization of a company which was formed by a powerful group, including the Vanderbilt and Gary interests, in the trust-forming period of 1901. It was admittedly over-capitalized, and it is likely that not all of the water has been squeezed out yet. For instance, the old company carried its fixed assets, including good-will, at 38 millions, but on reorganization the new company took them over at 10 millions. The present company probably carries patterns, patents, good-will and drawings at something over 19 millions.

Diversity of Products

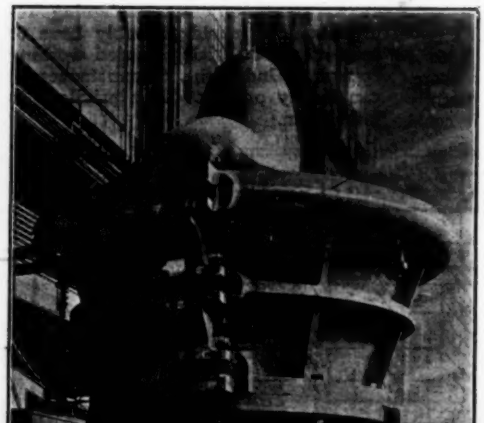
From the trade-point of view, the company has always enjoyed a great reputation for the quality and diversity of its production of heavy machinery and allied lines, including air compressors, mining machinery, engines, turbines, power-transmission systems, and electrical apparatus. The last constitutes about a third of its total business.

The plants are located at Milwaukee and West Allis, Wisconsi , and most of the electrical business is handled by the Bullock Works near Cincinnati, Ohio.

What difficulties the company has had in the past have been financial, not manufacturing. The original capitalization was 16.1 millions of 7% cumulative preferred and 19.8 millions of common. To this was added nearly 12 millions in bonds sold at a heavy discount to tide the company over the depression of 1907. It was the difficulty of meeting interest and particularly sinking-fund payments on these which compelled the company to reorganize in 1913. At that time capitalization was drastically scaled down to its present figures of 16.5 millions of 7% cumulative preferred and 26 millions of $100 par common, and heavy assessments were levied on both the preferred and the common stockholders.

The company had always been distinguished by a very strong current asset position, as is necessary in the heavy machinery business because of the necessity of financing purchases of raw materials, paying labor, etc., sometimes for many months before payment is received for the finished product. The reorganization, through the contribution of actual cash through assessments, further improved this situation.

At the end of last year, current assets amounted to 27.6 millions, against 3.8 millions of current liabilities. Among the assets were nearly a million dollars in cash, 9.4 millions in marketable securities, and receivables of 7.2 millions.



A huge ore crusher typical of the machinery built by Allis-Chalmers

ALLIS-CHALMERS' RECORD SINCE REORGANIZATION

Year	Earned Per Share	Paid Per Share
1913	def.	....
1914	def.	....
1915	$0.48	....
1916	8.59	....
1917	11.37	....
1918	11.62	....
1919	9.57	....
1920	9.39	$3.00
1921	4.12	4.00
1922	4.09	4.00
*1923	1.99	2.00

* For first six months.

TREND OF ALLIS-CHALMERS' UNFILLED ORDERS

(In Millions of Dollars)

Year	Unfilled Orders at End of Each Period
1917	27.1
1918	23.2
1919	15.9
1920	17.0
1921	7.3
1922	8.2
1923—Jan.	9.0
Feb.	9.9
Mar.	11.6
Apr.	12.6
May	13.1
June	13.1
July	12.9
Aug.	12.9
Sept.	12.7

The reorganization accomplished an even more thoroughgoing improvement in earning power, as expressed per share on the common. Where the old company from 1901 to 1913 had not been able to pay a single dollar in dividends on the common, and had frequently shown deficits, the new one, at first hampered by the business uncertainty which prevailed at the beginning of the war, soon began to show really good earnings. As remarked before, it has been able to maintain these up to the present time on a fair, if not an exciting, basis.

Current Earnings

For the first half of the current year, the company reports $1.99 earned per share, and, judging by its unfilled order position, should do better in the second half, so that the current dividend rate of

(*Please turn to page* 80)

United States Rubber Company

What is the Trouble With "Rubber"?

Tire-Manufacturing a Poor End of the Business—What Should Holder of Common Do?

By ARTHUR PEARSON

STOCKHOLDERS of United States Rubber Company have doubtless been considerably alarmed by the rapid decline in market quotations for both preferred and common shares to the lowest figures in a decade. Here is a company which has been in operation since 1892, a leader in the industry, with manufacturing plants throughout the United States and Canada and its own rubber plantations in Sumatra supplying a portion of its crude rubber requirements, yet the preferred stock, with a sixteen-year unbroken dividend record, is selling at around 81 and common at 34. What is the outlook?

The root of the difficulty is that, while the company and its operations have greatly expanded, the keen competition existing among the various rubber companies in many lines, and the excess productive capacity in an important branch, namely, the tire industry, has had the effect of keeping down profits to the vanishing point. The United States Rubber Company in its endeavor to profit by past experience, has expanded its operations in its mechanical rubber goods and footwear departments until these now constitute practically 75% of its volume of sales. The remainder is composed of tires and tubes, but in periods of active demand for automobile tires, the management, as its competitors, apparently forgets past experience, and the main desire appears to be to make all the tires possible while high prices are temporarily ruling.

Competition has extended to quality, so that while piling up stock, the ultimate consumer does not use as many tires as formerly, due to the greater wearing qualities; inevitably there is congestion and loss. As far as this particular company is concerned, the tire division has acted as a drag on the rest of the business.

During the war period, earnings were very large, but the greater portion of these gains were used for continued expansion. The depression in 1921 resulted in great curtailment of sales, as well as collapse in rubber prices. The result was a deficit of 5.5 million dollars after preferred dividends. During the first six months of 1923 the business recovery extended to the rubber industry. Net earnings for the period were equivalent to $2.20 a share for the common, but, in figuring this, no depreciation allowance was made.

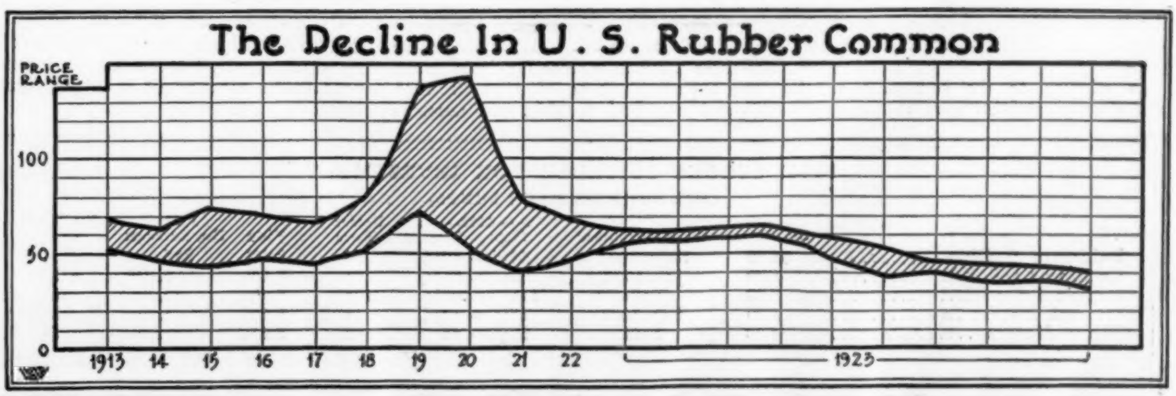
In the meantime, ambition again seized the management. Disregarding what had happened only a year ago, but only noting the immediate demand, it would seem that its treasury was again opened to the purchasing departments. Inventories, which stood at 63.6 millions at the end of the year, climbed to 84.2 million as of June 30, and current liabilities from 40.5 to 58.5. Current assets at the mid-year were $138.4 million as compared with $120.6 million at the end of 1922. In the meantime, the inevitable overproduction took place in the tire department. Prices for tires and tubes dropped sharply; crude rubber even more sharply. Probably a great deal of the additional inventory was justified, due to the increase in the footwear and mechanical rubber divisions brought about by the seasonal requirements in the latter half of the year. These divisions have proven profitable, but with tire and inventory losses, the prospects are that U. S. Rubber will do well if it earns the dividend on its preferred stock.

The stockholder faces the fact that if the rubber business has been so greatly expanded to the point where tremendous inventories must be carried, subject to the risk of a market which has such sharp fluctuations, there does not seem to be much hope for him, and he had better place his funds in an industry that is better organized. So far as U. S. Rubber is concerned, it is likely to meet greater competition in the more profitable branches of the industry than heretofore, as its other strong competitors such as Goodyear and Goodrich expand their efforts in that direction. U. S. Rubber preferred has an unbroken dividend record, but it would seem that if the bankers who hold the company's notes demand liquidation, the company will be unable to continue payments on the stock. If an attempt is made to increase the funded debt, that would certainly not be favorable for the preferred shareholders.

For this reason, the shares must now be regarded as highly speculative, and this fact is attested by recent market prices.

With large inventories, high bank loans and practically no profit accruing for the common, to say nothing of an uncertain commercial trend, the shares even at 34 do not appear attractive at this time. Operations will have to be reorganized on a basis where there will not be so much risk incurred in conducting the business. The present outlook is that this will take several years, and during that time, it is doubtful that conditions will permit dividend payments on the junior shares.

Prospects are that the common stockholder faces a long siege. Whether the reward will justify his patience, only the future can tell. **In the meantime, there are better opportunities available in other directions where conditions are more favorable.**



An Article of Interest to Business Men with Surplus Funds

Five Standard Stocks Offering Attractive Returns

While General Speculative Outlook Is Clouded, Good Opportunities for Income are Presented in Individual Issues

By JOHN MORROW

IF a period of smaller surpluses for dividends lies ahead, the question arises as to whether it is possible to safely buy semi-speculative dividend paying stocks which combine a relatively high yield with reasonable safety. Shares of this kind obviously do not appeal to the simon pure investor who cannot afford, temperamentally or financially, to take the risk involved in buying dividend paying common stocks, but they do appeal to the business man prepared to take a reasonable business risk.

A careful study of the list of active stocks suggests a limited number of desirable issues which are selling to produce a yield of 8% or thereabouts. A return of 8% implies some risk, implies that the stock producing such a return is subject to ordinary market fluctuations and to the great price swings which are governed by the trend of general business and trade conditions.

These issues are not to be selected haphazardly, but with the prime idea of safety of dividends, and with the thought that earning power will stand up relatively well in a period of neutral business activity. They are to be purchased primarily for dividend income-return, with the question of day-to-day price fluctuations of secondary importance.

It is not essential to confine desirable selections to any one group of stocks and the five issues which are here picked for discussion cover widely divergent fields of activity. None of them are recommended at this time for their speculative possibilities. They have merits, however, when regarded from the viewpoint of investment.

General Motors Corporation

The Financial Progress of a Giant Industrial—Position of Common Stock from Investment Viewpoint

GENERAL MOTORS resumed dividends upon the common stock in February, 1923, with a quarterly payment of 30 cents a share, or $1.20 a year. Earnings of 1922 had shown $2.20 earned upon the 20,600,000 shares of common stock outstanding. In the six months ended June 30, 1923, earnings on the common stock were $1.85 per share, and it seems likely that for the year ending December 31, 1923, the company will earn perhaps $3 a share.

The vehicles which General Motors manufactures range from high-priced through the medium-priced field to the low-priced. The bread and butter car is the Buick, with the Cadillac in the high-priced field and the Chevrolet in the low-priced.

In addition to the companies which manufacture pleasure cars and commercial vehicles the General Motors organization includes over 15 companies making accessories and equipment of all kinds. It might be claimed that, notwithstanding the large number of proprietary companies making up the General Motors organization, the activities of all the component parts depend entirely upon the motor-vehicle industry. That is true in a sense, but the range of the products through the automobile field is so wide that stability is attained to as great a degree as is possible in an industry like the production of motor vehicles.

At the end of 1920, General Motors had notes and accounts payable exceeding $100,000,000, and receivables and cash of 85 millions, and it is likely that some of these receivables were far from liquid. The balance sheet as of June 30, 1923, showed no notes payable, and accounts payable of 30 millions, cash alone was 56 millions. Inventories at this stage totalled 114 millions against over 164 millions at the end of 1920. If these figures mean anything, as obviously they do, then the position of the company today presents a picture far different from that at the end of 1920.

Automobile prices are not on an inflated level. The automobile manufacturers were quick to recognize deflation and to trim prices accordingly. They have overcome a possible narrow margin of profits by volume production marketed at reasonable price levels.

General Motors common stock, largely on account of the big supply, is not subject to wide fluctuations, that is, fluctuations as measured directly by quoted prices of the shares. For example, the high since January 1, 1923, has been 17½ and the low 12¾. At present levels of 14 the stock yields something over 8%. The decline from the previous high of the year has been a reflection of the belief that 1924 would not be as prosperous for the automobile companies as 1923 has been. There is no suggestion, however, that the industry is approaching the starvation point, and it is an established fact, as previously stated, that the motor companies as a whole, and particularly General Motors, are in a much stronger financial position than they were just prior to the depression of 1921.

Of the 20 million common shares of General Motors, approximately 10 million are owned by the du Pont interests, representing probably as powerful a financial group as there is in the United States, and the evidence at hand points strongly to the conclusion that this interest in the company means a business administration of high calibre.

General Motors common offers a good yield which seems secure over a reasonable period at least. As a business man's investment it is not unattractive.

FIVE STOCKS SUITABLE FOR INVESTMENT

(FOR BUSINESS MEN'S FUNDS)

	Div. Rate	When Established	1923 High	1923 Low	Recent Price	Yield	1923 Est. Earnings	Est. Book Value
Baltimore & Ohio	$5.00	Sept. 1923	59¾	40⅛	56	8.9%	$15	....
Cons. Gas (N. Y.)	5.00	Jan. 1923	69⅝	56¾	61	8.1%	7.20*	$120
Detroit Edison	8.00	1916	111	100¼	104	7.7%	12.00	108
General Motors	1.20	Feb. 1923	17½	12¾	14	8.5%	3.00	13.50
White Motors	4.00	1916	60⅞	45	47	8.5%	12.00	51

* 1922 Actual.

Detroit Edison Company

One of the Most Stable Among the Public Utilities

DETROIT EDISON by its steady increase in electrical output has risen to sixth place among the electric power and light producing companies of the country. It has grown rapidly during the past six years in keeping with the industrial growth of the territory which it serves.

Incorporated in 1980, the company expanded until it holds franchises in an area in and about Detroit, which has a population of one million five hundred thousand. Two large steam plants are operated and a third is under construction, which will be ready for operation in the early part of 1924. This expansion became necessary because the existing power houses were loaded to their economical capacity.

In the first four months of 1923, electrical revenue exceeded the same period of 1922 by about 26%. Of course, the automobile industry has been exceedingly active this year and when the automobile industry is active the territory which Detroit Edison serves, prospers. But the fluctuation in the amount of electrical energy used in a territory like Detroit will not respond directly to the rise and fall in the activity at the automobile plants.

The Record

In the seven months ended July 31, 1923, net income, after taxes and charges, was 2.8 millions, equivalent to between $6 and $7 a share on the outstanding capital stock, or at the annual rate of almost $12 a share. This indicates that the $8 dividend will be earned about one and a-half times. This $8 rate has been paid regularly since 1915 and in the period from 1911 to 1915 the rate was $7.

Ahead of the 43.8 millions share capitalization is a funded debt of 69 millions. There is no preferred stock. Growth of the business may be measured by fact that the number of meters in service in 1917 was 200 thousand and in 1922, 337 thousand. Judging by the record, it would seem as if in prosperous years in excess of 12% could be earned on the shares with a let down to 10% or 9% in quieter periods.

There has been a large increase in share capital over the past five years, but it has been incurred to keep pace with the volume of business, and the fact that the company has been readily able to do its financing through the sale of stock is an asset fact rather than a liability fact. Franchises extend at least to 1946, and there is no present rate agitation. **No evidence is at hand to show that capitalization has increased more rapidly than earning power, the stock is firmly established and a durable issue of sound rating in its particular field.**

White Motor Company

A Sound Industrial With a Sound Record

IN the early part of the current year, the shares of White Motor Company sold as high as 60⅞. Since then they have suffered a decline of 12 points, or to a point where the dividend return is in excess of 8%. The company has paid dividends at the annual rate of $4 a share since 1917.

Organization of the present corporation was effected late in 1915 and an initial dividend was paid in April 1916. Thus, White Motor has an unbroken record of dividends since that date and the intervening period covers months of acute depression in the motor vehicle industry. The White Company is best known for the manufacture of motor trucks, but lately the company has been going in strongly to the auto bus field, paying particular attention to the far West. This is a department of the motor vehicle industry where a relative degree of stability may be established once the manufacturer succeeds in declaring his product.

In the years from 1916 to 1922, inclusive, White has earned between $6 and $7 a share upon the outstanding capital stock, and this includes a deduction of almost 5 million dollars which represents the deficit in net income suffered in the 1921 year. It requires 2 millions to satisfy dividend requirements at the rate of $4 upon the 500,000 shares of stock outstanding, and 1921 was the only year of the seven years in question in which net income fell below this total. In the six months ended June 30, 1923, it is stated that earnings were equivalent to $7 a share upon the common stock and returns for the whole year ending December 31, 1923, are expected to show a surplus of 6 million dollars, or $12 a share.

While official figures are lacking it is assumed that the balance sheet position of the company, as a result of this year's active business, is clean. At the end of 1922, notes payable were 2 millions against a top figure of 7.2 millions at the end of 1920. Cash at the end of 1922 was 2.5 millions, the largest amount on hand at the end of any year since the formation of the present company.

The operations of the White Company are concentrated at Cleveland, Ohio, where the manufacturing plant is located. Of course, branches constituting selling agencies and service stations are scattered throughout the United States and Canada.

As a figure of speculation, White Motor's shares are perhaps limited in their appeal, but as a semi-investment medium returning a most liberal yield, they make a strong showing and on past record are entitled to primary consideration from a long-range viewpoint.

CONSOLIDATED GAS (N. Y.)

The Position of the $5 Dividend

Consolidated Gas supplies gas to a large part of Greater New York and also supplies the Boroughs of Manhattan and Bronx with electric light and power. The gas production end of the business has furnished the political agitation while the electric end has furnished the dividends. Last winter the New York State Legis-

Birdseye view of White Motors factories at Cleveland

lature passed a bill making the rate for gas $1.00 per thousand cubic feet. The company immediately went to the courts and there is every prospect of protracted litigation.

The contention is that had the dollar rate been in effect during 1922, Consolidated Gas would have lost $669,000, instead of making an operating profit on its gas business. This question of political interference with Consolidated Gas Company, which has always taken the form of a reduction of gas rates, must be considered in attempting to estimate the investment value of the stock.

According to balance sheet figures, Consolidated Gas had total assets at the end of 1922 of over 500 millions, including both the gas and electricity organizations. It is claimed that the property of Consolidated Gas could not be duplicated for at least 750 millions. Disregarding this estimate of reproduction cost, Consolidated Gas shares have an asset value of perhaps $120 a share, or about double the present selling price.

Applied to the present capitalization of fifteen million dollars 6% preferred stock and 2.9 million shares of common stock, Consolidated Gas showed a combined net income in 1912 of over $7 a share on the common after providing for the preferred. It has always been understood that New York Edison Company's earning power never was disclosed fully but full value of electric revenue may possibly now be given in the income statements, as prior to 1922, no such combined statement was presented. Sales of the electrical equipment almost doubled from 1916 to 1922, there being an increase reported in every year of the included years. Sales of gas in cubic feet increased between twenty-five and thirty percent in 1922 as compared with 1916. More money has been spent on new electric facilities than on gas. For example, of the 34 millions spent for additions to properties in 1922, almost 27 millions was for the electric properties.

Consolidated Gas instituted the present $5 dividend rate on the common stock in January 1923. The dividend record has been unbroken since 1893, but the present rate of $5 a share, necessitating an annual outlay of almost 15 million dollars, is the largest disbursement the company has ever made. It may seem that the increase in the dividend rate had been rather liberal but the big growth in the revenue from electric properties apparently justified this, and if the dollar gas rate is not upheld by the courts, the company can be expected to make money from the manufacture and sale of gas as well.

The speculative risk in Consolidated Gas lies largely in the political aspect of the shares, in that they make a convenient target in an appeal to "the peepul." Thus far, however, the courts have upheld the rights of all public utilities corporations to an adequate return on the investment and on the basis of adequate return Consolidated Gas ought to have a year-in and year-out earning power large enough to continue payment at the rate of $5.

(Please turn to page 72)

Preferred Stocks

Sharp Declines in All Issues

For the greater part of the past two weeks, the trend in the preferred share market was distinctly downward, and some very severe recessions were recorded, such as American Sugar Refining Company shares, which sold down 6 points, and Kelly-Springfield Tire 6% preferred, which lost 9 points on a sale of 100 shares. Sales were not confined to the industrials, but railway preferred shares of speculative grade were likewise offered at concessions. However, it was quite noticeable that, while there was a thin market for stocks, due to the extreme pessimism rampant throughout the Street on the part of the professional element, comparatively little stock was being offered by investors. The abrupt change in the trend on the declaration of the extra dividend by the U. S. Steel Corporation, together with the favorable earnings statement, was immediately reflected in the preferred share market, and at the close of the week prices showed substantial recovery from the average lows of recent weeks.

PREFERRED STOCK GUIDE

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named

Sound Investments

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
INDUSTRIALS:				
American Sugar Refining Co............(c.)...	7	94	7.5	2.4
American Can Co.........................(c.)...	7	106½	6.5	2.1
American Ice Company...............(n.c.)...	6	80	7.5	2.2
American Woolen Co.....................(c.)...	7	96½	7.2	2.5
Allied Chemical & Dye Corp.............(c.)...	7	106	6.6	(x) 4.5
Baldwin Locomotive Works...............(c.)...	7	113	6.2	4.4
Cluett-Peabody & Co.....................(c.)...	7	100	7.0	4.7
Endicott-Johnson Corp...................(c.)...	7	111	6.3	4.6
General Motors Corp. deb...............(c.)...	7	94¼	7.5	(y) 5.1
Loose-Wiles Biscuit Co. 1st..............(c.)...	7	106	6.6	3.2
Standard Milling Co..................(n.c.)...	6	89	6.7	4.3
PUBLIC UTILITIES:				
North American Co.......................(c.)...	3	43	7.0	(w) 6.9
Philadelphia Company....................(c.)...	3	41½	7.2	5.6
RAILROADS:				
Bangor & Aroostook......................(c.)...	7	87	8.0	2.5
Chesapeake & Ohio conv.................(c.)...	6.50	98¼	6.6	4.9

Middle-Grade Investments

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
INDUSTRIALS:				
Armour & Co. of Del......................(c.)...	7	90	7.7	(z) 2.9*
American Steel Foundries.................(c.)...	7	100	7.0	5.0
Allis-Chalmers Mfg. Co...................(c.)...	7	91	7.7	2.8
American Smelting & Ref. Co.............(c.)...	7	95¼	7.3	1.7
Associated Dry Goods Co. 1st............(c.)...	6	85	7.1	3.0
Brown Shoe Co............................(c.)...	7	85	8.2	2.2
Bethlehem Steel Corp. conv..............(c.)...	8	103	7.7	3.8
Bush Terminal Buildings Co..............(c.)...	7	90	7.7	1.1
Coca-Cola Co. ....(c.)...	7	94	7.5	(x) 5.1
Cuban-American Sugar Co.................(c.)...	7	96	7.3	6.4
Genl. American Tank Car Corp...........(c.)...	7	94	7.5	5.4
General Baking Co........................(c.)...	8	107	7.5	(x) 3.8
Gimbel Brothers, Inc.....................(c.)...	7	98½	7.1	3.3
J. Kayser & Co............................(c.)...	8	98	8.1	2.0
Kelly Springfield Tire Co.................(c)...	6	71	8.5	16.0
Natl. Cloak & Suit Co....................(c.)...	7	91½	7.7	...
Sears-Roebuck & Co......................(c.)...	7	109	6.4	12.6
U. S. Industrial Alcohol Co..............(c.)...	7	96	7.3	6.4
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st......(c.)...	7	91	7.7	(x) 2.2
Public Service of N. J....................(c.)...	8	102	7.8	(y) 3.4
RAILROADS:				
Baltimore & Ohio.....................(n.c.)...	4	58	6.9	...
Colorado & Southern 1st pfd..........(n.c.)...	4	49	8.2	6.2
Pittsburgh & W. Va......................(c.)...	6	86	7.0	2.0

Semi-Speculative Investments

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
INDUSTRIALS:				
American Beet Sugar Co.............(n.c.)...	6	70	8.6	1.3
California Petroleum partic. pfd.........(c.)...	7	92	7.6	1.3
Famous Players-Lasky Corp..............(c.)...	8	82	9.7	(y) 5.7
Fisher Body Corp. of Ohio...............(c.)...	8	98	8.1	...
Mack Trucks, Inc., 1st....................(c.)...	7	91½	7.6	(y) 2.8
Orpheum Circuit ....(c.)...	8	92	8.7	(w) 2.5
National Department Stores..............(c.)...	7	92	7.6	4.0
Pure Oil Co. conv. pfd....................(c.)...	8	87½	9.1	3.5
Worthington Pump & Mfg. "A".......(c.)...	7	81	8.5	2.0
PUBLIC UTILITIES:				
Market Street Railway prior pfd.........(c.)...	6	58½	10.25	1.4
RAILROADS:				
Kansas City Southern.................(n.c.)...	4	50¼	7.8	1.5
Pere Marquette...........................(c.)...	5	57½	8.7	2.2
St. Louis Southwestern...............(n.c.)...	5	55	9.1	1.7
Southern Railway ....(n.c.)...	5	64¼	7.7	1.7

(c.) Cumulative. (n.c.) Non-cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.
† Average number times earned last five years.

Career of World's Leading Magneto Maker

How Former German Property Has Fared Since Transfer to American Control—Complicated Legal Status of Company

By ORRIN GRAY

INVESTORS in American Bosch Magneto who put their money into it on the strength of the remarkable record which that property had made before the war have been, on the whole, pretty well disappointed. Since the organization of the company they have been treated to some weird speculative careenings, but from the investment point of view the tangible results have been poor. This is all the more remarkable as the automotive industry, which is a great source of American Bosch's business, has made a splendid record of growth and prosperity during most of the lifetime of the present company.

The American business of Bosch Magneto dates back to 1906, when it was founded as a selling agency of Robert Bosch, of Stuttgart, Germany. In 1909, the company began building a manufacturing plant on the present site at Springfield, Mass., and was turning out American-made magnetos by 1912, when its name became "The Bosch Magneto Company."

It was seized by the Alien Property Custodian in May, 1918, and sold to the organizers of the present American Bosch Magneto on Dec. 7, 1918, the new company entering into possession on Jan. 1, 1919.

When it was taken over by the new interests the company had a capitalization of 250 shares of common of $100 par. On this it had paid 25% a year from 1906 to 1913; after the war began, it paid no dividends, although its profits continued at a high rate, possibly on account of the difficulty of transmitting funds to Germany.

Changes in Capital Structure

The new company was organized with 60,000 shares of common of no par value, later increased by stock dividends and cash subscriptions to the present figure of 96,000 shares. At the same time 1.8 millions of 7% serial notes, maturing at the rate of $600,000 annually until 1922, were issued "to provide additional working capital," although the last balance-sheet of the "Bosch Magneto Company," on Dec. 31, 1918, before it became the "American Bosch Magneto Corporation," the next day, on Jan. 1, 1919, showed a strong current financial position.

Not only current items, but fixed property also appears to have undergone a remarkable change in that eventful twenty-four hours, resulting in an increasing valuation of the property and of the tangible assets, as the accompanying comparison indicates.

The earnings of the new company were quite satisfactory for the first two years following organization, but in 1921 suffered a loss which more than wiped out the earnings for the preceding good year, and last year showed only 27 cents earned per share on the common. This year an unofficial statement based on official figures shows $3 a share earned for the first eight months, with a possibility of earning $4 a share for the full year.

The dividend policy of the new company at the beginning was quite liberal. Dividends were initiated at the rate of $1.50 per share quarterly three months after organization, on March 31, 1919, and at the end of the same year the rate was raised to $2 quarterly. By 1920 it was decided to raise the rate to $2.50 quarterly, and this figure was maintained through the first quarter of 1921. As business slackened, the rate was first cut to $1.25 for the second quarter of 1921, and then omitted altogether. It has not been restored as yet.

In January, 1920, the company retired the entire outstanding issue of 1.8 millions of 7% notes, but on June 1, 1921, had to issue 2.5 millions of a new issue of 8% notes, due 1936. A sinking fund of 10% of the company's net earnings, beginning June 1, 1923, is to be applied each year to the retirement of this issue, and there is a stated minimum for each year below which the retirements must not fall.

Even more disconcerting to stockholders is the provision that no dividends shall be paid on the common stock until current assets are equal to twice the current liabilities, including in the latter the outstanding notes.

Financial Position

On February 28, 1923, the current assets amounted to 5.1 millions and current liabilities to 2 millions, while the 8% gold notes outstanding amounted to 2.5 millions. Before dividends can be resumed on the common, the company will have to improve the above showing by additions to current assets of 3.9 millions, or by reduction of current liabilities. Assuming that $4 a share will be earned on the common this year, this will amount to an addition to surplus of $384,000, but even if all of this were in liquid form it would still be insufficient to satisfy the above-mentioned clause in the indenture of the note issue.

The legal status of the company at the

(*Please turn to page* 93)

COMPARISON OF SUMMARIZED BALANCE SHEETS

	Bosch Magneto Company Dec. 31, 1918	American Bosch Magneto Corp. Jan. 1, 1919
Current Assets—		
Cash	$177,181	$177,876
Accounts receivable, minus reserve	470,483	637,049
Liberty Bonds and War Stamps	717,139	717,139
Inventories, minus reserve	3,362,507	3,352,149
Total current and working assets	4,733,057	4,889,460
Property and plant, less reserve for depreciation	1,420,540	2,279,052
Patents	2	500,000
Tracings	......	255,000
Current and accrued liabilities, plus contingent reserve	439,610	430,621
Capital stock	25,000	5,755,852 (represent'g 60,000 shs.)
Surplus	5,631,091	......
7% Serial Gold Notes	......	1,800,000

EARNING POWER OF OLD AND NEW COMPANIES

Period	Profits	Per Share
15 months to Sept. 30, 1914	$1,586,366	$6,345.46
12 months to Sept. 30, 1915	1,554,606	6,218.42
12 months to Sept. 30, 1916	806,646	3,226.58
12 months to Sept. 30, 1917	478,564	1,914.26
12 months to Sept. 30, 1918	670,547	2,682.10
12 months to Dec. 31, 1919	921,963	15.37
12 months to Dec. 31, 1920	1,469,873	15.31
12 months to Dec. 31, 1921	def. 1,723,142	def.
12 months to Dec. 31, 1922	25,914	0.27

Crucible Steel Co. of America

Is Crucible Common a Bargain?

The Outlook for Leader of Specialty Steel Field—Result of Growth of Last Five Years—Financial Situation

By A. T. MILLER

CRUCIBLE STEEL common has paid two dividends this year at the rate of $4 annually after a year's absence from the dividend list. It is selling around 60, at which price it yields 6.67%. In view of the fact that Youngstown Sheet and Tube, paying $5 a year, is selling at 63 to yield 7.94%, and Bethlehem Steel, paying $5, is selling at 48 to yield 10.42%, it seems in order to determine whether Crucible stock is really so superior to that of other comparable steel companies that it deserves to sell on a yield basis which is so much lower.

There is an important difference to be noticed between the business of Crucible and that of other steel companies. Its product is largely crucible and electric steel, used for tools and other purposes where a very high-grade steel is needed; it is produced in relatively small tonnages, and sells at a relatively high cost, ranging as high as $1 a pound. Until quite recently, normal production of this grade of steel in the United States was about 130,000 tons a year, of which Crucible Co. produced over 90%.

Subject to Foreign Competition

Contrary to the other types of steel, crucible steel is subject to foreign competition as well as enjoying an active foreign trade. It has such a high value per ton that freight rates play a very small rôle, and only the high tariff rates of the Fordney-McCumber act have kept out the British product which formerly had an active demand in this country.

At the present time, the machine-tool business is very quiet, running at around 26% of estimated one-shift capacity, and was somewhat lower in October than in September. Railroad shops and automobile plants are the main factors in tool buying at the present time, oil-drilling business having fallen off and a tendency toward retrenchment in mining purchases being noticeable. Small tool machines are selling better than large ones, and the trend is toward labor-saving and cost reduction rather than enlargement of productive capacity.

From a trade point of view, the demand for Crucible's main product is apt to be rather light from now on until the next big boom in industry which will cause a demand for tools and machinery. Crucible also makes open-hearth steel and some iron, but these are of minor importance to its earning power, and beside share the generally gloomy outlook of the steel industry.

What Crucible has to look forward to, therefore, is the minimum amount of replacement buying which is bound to go on, good times or bad, and whatever it has in the way of unfilled orders. As recently as last June the company declared, in a statement to its stockholders following the resumption of dividends, that unfilled orders then on the books were at the peak "since the beginning of the depression about two years ago," and added that the "management is of the opinion that it will not be long before they have a condition of normal production and distribution."

In view of the known decline in the activity of the company's main customers, the makers of tool machinery, it is to be assumed that even this guarded optimism would have to be modified somewhat at the present time.

The Record

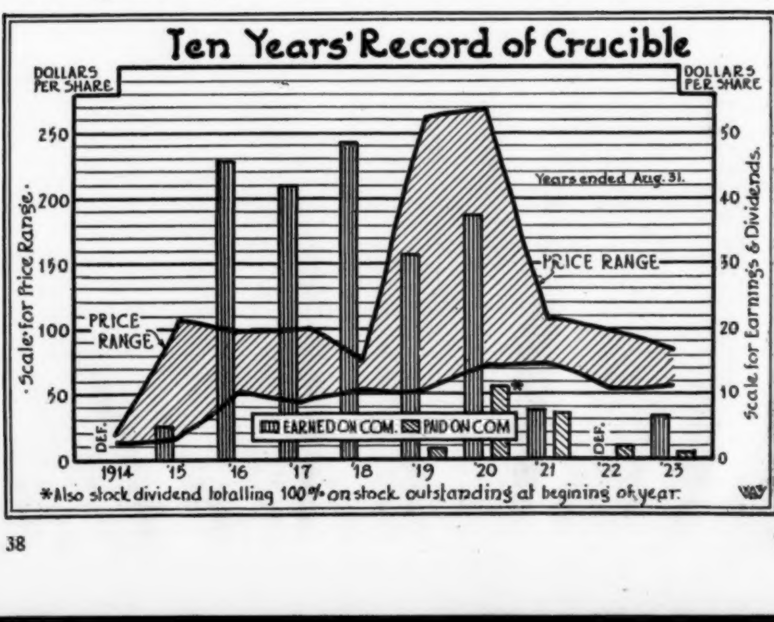
Since its organization in 1900 as a consolidation of sixteen steel properties, the company has shown occasionally brilliant but very erratic earning power. In 1911, for instance, it earned $3.37 a share on the common; in 1913 it earned $12.84, and in the following year a deficit after preferred dividends. Two years after, in 1916, it showed $45.89 earned per share, and from 1916 to 1920 averaged $41 per share each year. Unfilled orders hanging over from the 1919-20 boom enabled it to show $7.59 a share earned in 1921, but the following year it showed a deficit of 6.5 millions after preferred dividends. In the fiscal year ending August 31, 1923, it earned $6.46 per share on the common.

The conclusion from these figures is that Crucible is capable of showing fair earnings in good times, remarkable earnings in boom times, and deficits in poor times; however, there is apparently a lag of nearly a year between changes in the business trend and changes in the trend of Crucible's earnings. Its prosperous periods start long after a business boom is under way, and continue a long time after the business boom has died out.

Dividend Policy

Except in one respect, Crucible's dividend policy may be said to have been quite conservative in recent years. Out of total net earnings on the common of $152.00 a share in the ten years 1914-1923, it has paid out only $22.50 in cash dividends on the common. During 1920, however, as a result of three successive stock dividends, it raised the amount of its common stock outstanding from 25 millions to 50 millions, to which it added 5 millions, sold for cash, in September of last year. It is believed to have spent about 25 millions in modernizing its plants and improving their productive capacity, but part of the difference between earnings and dividends also went into absorbing the deficits on the common sustained in 1914 and 1922, and in taking care of a presumably heavy deflation of inventory values, which stood at 30.6 millions at the end of the 1920 fiscal year.

The present capitalization consists of 5.5 millions of 5% bonds of a subsidiary, of which $250,000 are being paid off each year till 1945; 25 millions of 7% cumula-



tive preferred, and 55 millions of common of $100 par.

The financial position as of August 31, 1923, was excellent, the balance sheet showing 29.9 millions of current assets to 4.4 millions of current liabilities. The former included 17.9 millions of inventories, practically the same as last year, and less than 60% of the figure at the end of 1920; and 5.4 millions in cash and 6.4 millions in receivables, both considerably higher than in any year since 1920. The liabilities consisted of accounts payable, and accrued interest and taxes, with no bank loans, the 5 millions outstanding at the end of 1920 having been at last paid off.

Conclusion

Summing up the above, there are seen to be a number of contradictory elements affecting the value of the common stock. The trade position is not rosy, and it is unlikely that unfilled orders will be sufficient to permit of a very high rate of operations for the next few months, at least; the earnings outlook is therefore not particularly attractive; on the other hand, the financial position is very good, and dividends may well be maintained through a long period of dullness.

There does not seem to be sufficient reason, however, in all the above for the unusually low yield of Crucible common, however, and at present price levels the outlook is discouraging for both holders and prospective purchasers of the stock.

Industrial *Oil* *Mining*

Investors' Indicator

Current Earnings—Dividends—Working Capital

	Dollars Earned Per Share						†Present		Yield on		
		1923							Rec'nt		
Industrials—	1922	1st quar.	2d quar.	3rd quar.	6 mos.	9 mos.	Rate Div.	Rec't Price	Price (%)	Ratio of Current Assets to Current Liabilities	
Allis-Chalmers	4.11	0.69	1.30	1.82	1.99	3.83	4	40	10.0	10 to 1	December 31, 1922
Ajax Rubber	0.06	1.05	....	....	a0.97	....	...	5	....	3 to 1	June 30,1923
Air Reduction	5.23	3.50	4.22	3.67	7.72	11.39	4	63	6.3	6 to 1	December 31, 1922
Amer. Bosch Magneto	0.27	....	....	....	3.00	....	...	25	....	2⅓ to 1	February 28, 1923
Amer. La France Fire Engine	1.90	0.35	0.25	0.65	0.60	1.25	1	11	9.1	5 to 1	December 31, 1922
Amer. Druggists' Syndicate	0.63	....	....	....	def.	....	...	6	....	12 to 1	December 31, 1922
Amer. Hide & Leather Pfd	4.20	def.	def.	....	def.	....	...	40	....	3½ to 1	December 31, 1922
Amer. Locomotive	l	....	....	....	k12.19	....	6	71	8.6	5 to 1	December 31, 1922
Amer. Steel Foundries	4.03	1.89	2.49	2.94	4.38	7.32	3	35	8.6	4½ to 1	December 31, 1922
Bethlehem Steel	1.14	....	2.42	1.84	....	....	5	49	10.2	4¼ to 1	December 31, 1922
Butterick	3.42	....	....	....	3.53	....	...	17	....	3 to 1	December 31, 1922
Central Leather	q	2.30	def.	def.	2.28	def.	...	13	....	5½ to 1	December 31, 1922
Cluett-Peabody	12.01	....	....	....	10.89	....	5	68	7.3	4¼ to 1	June 30, 1923
Coca Cola	11.14	2.64	3.39	....	6.03	....	7	71	9.9	4 to 1	December 31, 1922
Colorado Fuel & Iron	def.	1.00	1.34	def.	2.34	1.30	...	22	....	3½ to 1	December 31, 1922
Corn Products	17.48	5.24	5.16	3.32	10.42	13.72	c6	127	4.8	6 to 1	December 31, 1922
du Pont de Nemours	k5.62	....	....	....	8.54	....	6	130	4.6	7½ to 1	December 31, 1922
Endicott-Johnson	13.77	....	....	....	4.57	....	e5	63	7.9	2¼ to 1	June 30, 1923
Famous Players	14.72	3.66	2.96	....	6.62	....	8	58	13.8	2¾ to 1	December 31, 1922
General Motors	2.19	....	....	....	1.84	....	1.20	14	8.6	8 to 1	June 30, 1923
Goodrich	0.73	....	....	....	2.86	....	...	20	....	3 to 1	December 31, 1922
Gulf States Steel	7.26	4.44	3.61	2.68	8.05	10.73	4	76	5.3	6 to 1	December 31, 1922
Hayes Wheel	6.50	....	....	....	3.92	....	3	34	8.8	3½ to 1	December 31, 1922
Hudson Motor	6.03	....	....	....	3.71	....	3	25	12.0	2½ to 1	November 30, 1922
Lee Rubber & Tire	2.47	0.85	....	....	....	....	...	13	....	9 to 1	December 31, 1922
Mack Truck	9.94	4.34	7.80	....	12.14	....	6	75	8.0	10 to 1	December 31, 1922
Otis Elevator	15.28	3.03	6.06	5.88	9.09	14.97	8	123	6.5	9 to 1	June 30, 1923
Owens Bottle	4.41	1.13	1.77	1.62	2.90	4.52	3	43	6.9	9 to 1	December 31, 1922
Pierce Arrow pfd	0.10	....	....	0.10	2.04	2.14	...	19	....	m2⅓ to 1	December 31, 1922
Remington Typewriter	2.77	....	....	....	3.91	....	...	33	....	8 to 1	December 31, 1922
Republic Iron & Steel	j	3.65	5.90	4.18	9.55	13.73	...	46	....	2¼ to 1	December 31, 1922
Sloss-Sheffield	1.08	7.00	7.57	3.44	14.57	18.01	...	43	....	1⅓ to 1	December 31, 1922
Spicer Manufacturing	0 88	1.23	1.26	....	2.49	....	...	14	....	2⅓ to 1	December 31, 1922
Stewart-Warner	11 23	4.36	3.94	....	8.30	....	10	79	12.6	5 to 1	December 31, 1922
Stromberg Carburetor	8.05	3.39	4.89	....	8.28	....	7	64	11.0	7 to 1	December 31, 1922
Studebaker	k23.21	8.00	9.40	6.26	17.40	23.66	10	100	10.0	5 to 1	June 30, 1923
Timken Roller Bearing	6 43	1.97	1.83	....	3.80	....	h3	35	8.6	3 to 1	December 31, 1922
United Drug	5.80	....	....	....	3.62	....	6	75	8.0	7 to 1	December 31, 1922
U. S. Rubber	2.68	....	....	....	2.22	....	...	35	....	2⅓ to 1	June 30, 1923
U. S Steel	2.85	2.20	4.63	4.46	6.83	11.30	d5	91	5.5	3¾ to 1	December 31, 1922
Vanadium	0.79	....	....	....	1.03	....	...	28	....	Net current assets $4,100,000	
Willys-Overland	def.	....	....	....	3.30	....	...	7	....	m3½ to 1	July 31, 1923
Youngstown Sheet & Tube	....	....	....	....	10.34	....	5	63	7.9	3½ to 1	December 31, 1922
Oils—											
California Petroleum	‡k4.18	‡k1.89	‡k3.10	....	‡k4.99	....	1.75	19	9.2	2¼ to 1	December 31, 1922
Cosden & Co	‡4 25	....	....	....	*4.09	....	...	25	....	4 to 1	December 31, 1922
Houston Oil	‡2.75	*1.06	*1.54	*2.82	*2.60	*5.42	...	49	....	3½ to 1	December 31, 1922
Marland Oil	‡4.44	*3.00	*3.55	....	*6.55	....	...	19	....	2¾ to 1	December 31, 1922
Middle States Oil	*2.79	*0.46	0.50	....	0.96	....	...	5	....	Net current assets, $2,338,081	
Pacific Oil	3.37	0.62	0.67	....	1.29	....	2	38	5.3	2½ to 1	December 31, 1922
Pan-American B.	‡11.75	3.12	....	....	....	....	b8	54	14.8	3½ to 1	December 31, 1922
Phillips Petroleum	k*7.80	....	....	k*1.90	k*6.80	k*8.70	g2	22	9.1	1 to 1¼	December 31, 1922
Pure Oil	§def.	s	....	....	....	....	1.50	18	8.4	2¼ to 1	March 31, 1923
Sinclair Consolidated	‡3.24	....	....	....	*1.00	....	2	18	11.1	8½ to 1	December 31, 1922
Mining—											
American Smelting	‡3.28	....	....	....	‡5.43	....	5	55	9.0	4 to 1	December 31, 1922
American Zinc pfd	0.22	*1.32	*1.30	....	*2.62	....	...	28	....	5 to 1	December 31, 1922
Chino	def.	*0.45	*0.28	....	*0.73	....	...	15	....	2 to 1	December 31, 1922
International Nickel	p	0.04	....	....	....	....	...	11	....	12 to 1	June 30, 1923
Nevada Consolidated	def.	*0.27	*0.48	....	*0.75	....	...	10	....	8 to 1	December 31, 1923
Ray Consolidated	def.	*0.31	*0.36	....	*0.67	....	...	11	....	9 to 1	December 31, 1922
Utah Copper	1.03	*1.37	*2.06	....	*3.43	....	4	60	6.6	7 to 1	December 31, 1922

* Before depreciation and depletion.
† Dividend rate covers regular dividends on yearly basis.
‡ After deducting depletion and depreciation.
§ Year ended March 31.
a After deducting depreciation and revaluation of inventory.
b Stock Dividend of 20% paid Feb. 8, 1923.
c $3 extra paid Jan. 30, $1.50 extra July 30, 75c extra Oct. 30.
d Extra dividend of 25 cents payable December 29.
e 20% stock dividend paid Feb. 15, 1923.
g Stock dividend of 50% and extra dividend of $1 paid June 30.
h 25c. extra payable Sept. 5.
j Earned $1.67 on preferred in 1922.
k On increased stock.
l Earned $4.40 on preferred.
m After giving effect to new financing.
p For year ended March 31, 1923, earned 54c. a share on preferred.
q Earned $4.58 a share on preferred.
s Year ended March 31, 1923, earned $1.37 a share.

Building Your Future Income

"For the Man with His First Five Hundred Dollars"

How to Live Longer

"*STATISTICS prove that Annuitants live longest!*"

That statement, made on another page by Mrs. Clarendon in the first of her articles on Annuities, bears repetition. In fact, we can go even further and say it bears emphasizing.

"Annuities," as our Insurance Expert will tell you, are a form of insurance under which a person BUYS A FUTURE INCOME by the down-payment of a lump sum. How much income a given sum will purchase depends upon one's sex and one's age. Thus, at the age 60, a down-payment of $10,000 will purchase an income for a man of $991 and for a woman of $872.50; at age 70, the same down-payment will buy an income for the man of $1,175 yearly and for the woman of $1,027.

And it is persons who buy incomes in this way (known as "Annuitants") that outlive others.

* * *

WHY do Annuitants live longer? They are bound to observe no rules of conduct by reason of becoming Annuitants: they may live as they have been accustomed to live—carefully or carelessly. No medical examination is required in the case of those applying for policies of this sort. Certainly an Annuity brings with it no magic potion—no cup from the fountain of youth. Is it not strange that experience, in respect of the average Annuitant's longevity, should have been what it has?

No—not strange at all—quite understandable, in fact, when you stop to think it over!

* * *

ANNUITIES would scarcely be purchased by persons in poor health. Those who believe their days were numbered would be most unlikely to hand over to another party, for the sake of the little net-interest they would receive, funds that, as they believe, they might just as well use up directly and in their own sweet way. Therefore, most Annuitants are pretty healthy animals at the start, and longevity, in their case, might be expected.

In addition to the high average of health enjoyed by most Annuitants at the outset, however, there is a special characteristic of Annuitantship which no doubt contributes in large measure to the great span this class attains. That characteristic is the "peace of mind," as Mrs. Clarendon says, "which comes with a *sure* life income."

To have enough for the needs of your declining years; to have that "enough" assured; to lodge responsibility for its regular production in safe and trustworthy hands; *to know, in short, that you will have an income up to the day you die:* That might well be a wholesome ambition in every man and woman; and THAT IS THE ASSURANCE AN ANNUITY CONVEYS.

* * *

OF course, relatively few would purchase annuities, even for this purpose. Income from the standard annuity ceases with one's death; and, as most of us have dependents whose dependency will not end with our going, most of us would not wish to utilize our principal in this way.

But, aside from the relative appropriateness of Annuities to different classes of people, the main fact, that ANNUITANTS LIVE LONGER stands out strong and clear. It supplies a new impetus for those who are endeavoring to build up incomes in different ways; it puts a new justification (were any needed) upon the work of this Magazine, whose chief purpose is to help men and women build the MOST INCOME MOST RAPIDLY. It suggests a new motto for Income Builders everywhere:

"A STEADY INCOME ADDS YEARS TO YOUR LIFE!"

Think that over!

"They Won't Get Any More Out of Me!"

Point-Blank Refusal Promised Future Stock Jobbers by One Who Thinks He Has Been Burned Often Enough

By T. C. B.

The following was written in this office from notes on his personal investment career supplied by a reader of The Magazine.

FROM my earliest childhood, I had drilled into me the necessity of *saving* money. But that, from a money standpoint, was as far as my training went. The matter of *what* to do with my money after I had saved it was left to me to find out. The only investment agency I was told of was the Savings Bank, and I wasn't told much about that.

No wonder I made mistakes!

My First Investment

The first investment I ever made was made while I was still in my teens. I had been told by the salesman through whom I bought my shoes that his company was selling 7% stock to its customers. I had confidence in him and in the company behind him, so I purchased three shares. They proved a fairly satisfactory investment.

Some time later, this same fellow told me about a local oil company paying 12% —a "sure winner," according to him. In typical stock-salesman fashion, he showed me maps of this company's property—maps whose accuracy or authenticity I was in no position to check up; also, he rolled off great masses of statistics and figures, all of which were so much Greek to me, but my ignorance concerning which I would have been the last to admit. He gave me the old line about my having been "invited" to buy stock in this company more "as a favor" than anything else—in short, made me feel properly grateful, and so rendered me properly gullible.

I was still quite young at the time. I had acquired no information with which to fill in the gaps left by my inadequate financial education. I knew as little about analyzing a stock company as I did about the fourth dimension. Like thousands—perhaps millions—of others, therefore, I "fell" for the obvious arguments; viz., the huge dividend "rate"; the fact that the company was a local enterprise; the fact that the general manager was a man prominent in home-town affairs, etc., etc., etc. I agreed to put in my savings.

Of course, the enterprise proved a failure. Either the wells wouldn't produce as they should, or else the price of crude oil sank below the profit margin, or something else was to blame. At any rate, no dividends were ever paid to me, and, when the leases had finally to be sold to satisfy creditors, I was out my entire investment.

About a Year Later

About a year later, I received (through the mails) some very interesting facts and figures from a popular magazine company to whose product I subscribed and which was offering stock to its subscribers "to provide working capital with which to properly care for the rapidly increasing circulation." I was impressed. In fact, I quickly became enthusiastic. The literature had a "come-on" flavor about it that was well-nigh irresistible.

Nevertheless, I did not "plunge" immediately. With what I thought to be a commendable display of caution, I first visited a number of newsstands and inquired how the magazine in question was selling. The replies were generally favorable. Most of the dealers told me the only trouble they had in the matter of selling the periodical lay in getting enough copies to sell.

That was enough for me. I scraped together all my available cash and plunged.

It was only a few weeks later that my magazine company blew up.

I Become a Skeptic

This second experience struck home. I had had to work hard for the few dollars I earned. To see the savings I had managed to scrape together by dint of toil and self-denial swept away in the oil promotion had been bad enough; but losing my new savings in this magazine enterprise was worse.

I did not allow myself to get discouraged. All around me there were too many other people living comfortably on incomes derived from judicious investing for me to believe that it was a hopeless game.

But I did acquire a pronounced skepticism in matters financial. It became evident to me that, for every sound investment medium offered to the public there was at least one other medium that was equally unsound—and I determined to avoid the unsound ones. I adopted Missouri as my *locale* and "you've got to show me!" as my motto.

Of course, had I been given any instruction in finance in my youth—had I just been advised to "go ahead slow-

(Please turn to page 64)

The High Cost of Selling a Home

Reader Paints Gloomy Picture of the Various Expenses Involved

You have published many articles on the subject of the various costs involved in buying a home: but have you said anything on the equally important subject of the costs involved in selling one?

Take an example: A home-owner sold his house through a real estate broker for $8,000 with a down payment of $1,000. A 7% first mortgage of $4,000, with 5 years to run on the property was paid off, the buyer getting a new 6½% first mortgage of $4,000, the seller then taking a second mortgage for $3,000. Recapitulating:

First Mortgage	$4,000
Second Mortgage	3,000
Down Payment	1,000
Selling Price	$8,000

The following Statement is submitted to give an idea of the costs involved in this sale:

Broker's Commission (4% of $8,000)	$320.00
Selling of 2nd Mortgage (20% of $3,000)	600.00
Surrender Fee, releasing 1st Mortgage	145.00
Escrow and Abstract Cost	20.00
Recording Deed, Filing and Stamps	10.00
New Fire Insurance	35.00
Moving Furniture	20.00
Seller's Loss	$1,150.00

In other words, the seller's expenses have already mounted to $1,150. Add $200 to this for the cost involved in floating a new loan when buying a new property and the loss would be $1,350. Certainly, these charges would tend to eat up all the profits that could be derived from the sale of an $8,000 establishment.

Of course, by finding a buyer who would make a larger down payment some of these charges might have been avoided—but such buyers are hard to find.—L. R. B., Cleveland, O.

MR. L. R. B. brings out what every home-owner should know and what most real estate investors do know, namely, that the sale of a real estate property cannot be accomplished without the incurrence of certain incidental expenses, which expenses need to be considered in connection with the transaction.

When our correspondent goes on to itemize costs, however, and includes in same such items as those listed in his statement, we must take issue with him. There are, so far as we know, only two cost-items to be considered in the case of an average real estate transaction from the standpoint of the seller, viz., the brokerage commission and the fees involved in drawing the deed of sale; yet Mr. L. R. B. has listed no less than six others.

It is only upon careful analysis of the "typical" case which our correspondent has described that we discover the probable basis for his claims.

FIRST, consider the item "Selling of 2nd Mortgage, $600."

Now, it is obvious that the seller of a piece of property is under no obligations to give a 2nd mortgage along with it. Exceedingly seldom, indeed, are sellers willing to undertake such terms. The buyer, who wishes to finance a portion of his purchase through the agency of a 2nd mortgage is, generally, the one upon whom the burden of obtaining 2nd mortgage money falls; if there is any expense attached to this phase of the transaction, it is the buyer who should assume that expense—not the seller. Manifestly, the buyer is the one who advantages.

Mr. B's typical case, then, as described, leads to the following deductions: The property that was offered for sale was evidently not readily marketable. Potential purchasers would not, apparentl., consider it at the $8,000-figure at which it was offered, unless certain inducements were forthcoming. Those inducements included a 2nd mortgage in a sum ($3,000) equivalent to nearly 40% of the whole value of the property ($8,000). But (evidently) it was not possible to find any mortgage or loan company willing to advance so large a sum on 2nd mortgage unless a special—and very sizeable—bonus were attached; and the buyer would not stand for that bonus himself. This being so, the intending seller (evidently desperately anxious to liquidate) was led to assume the cost of the bonus, i.e., $600, on penalty of not making a sale.

NEXT, consider the item "Surrender Fee, Releasing 1st Mortgage, $145." This 1st mortgage, according to Mr. B's description, still had 5 years to run.

Now, it is generally the custom, where mortgaged real estate is concerned, for a new buyer to assume existing mortgages—the mortgagor having no objection to such a transfer, generally, as his security consists in the mortgage itself, not the identity of the mortgagee. Why was this 1st mortgage paid off, then, and a new one taken up? Why Mr. B's $145-surrender fee?

Again we are led to deductions: In this "typical" case, the concessions made by the seller in respect of the 2nd mortgage (analyzed above) were, evidently, still not enough to satisfy the intending buyer. Besides having 2nd mortgage money provided for him, the latter evidently insisted that the existing 1st mortgage (at 7%) be converted into a new 1st mortgage (at 6½%); and he further insisted that the seller sustain the costs involved!

The fees involved in the matter of the 1st and 2nd mortgages amounted (according to Mr. B's exhibit) to $745. We have therefore accounted, apparently, for well over half of what he has called the "Seller's Loss."

NOW for the four other items:

Recording Deed	$10.00
New Fire Insurance	35.00
Moving Furniture	20.00
Floating New Loan	200.00
Total	$265.00

Very obviously, these cost-items are predicated upon three assumptions, viz., that the party selling the house in question (1) has been living in it, or has furnishings of his own in it; (2) has sold the property unfurnished; (3) has made the sale of this property the signal for purchasing a new one. For, unless all

(Please turn to page 91)

What Do Annuities Offer the Investor?

1.—*How the "Immediate Single Life Annuity" Bears Up Under Analysis*

By Florence Provost Clarendon

THE word "annuity," derived from the Latin *annus* (year), practically defines itself—an annual payment. The dictionary's definition is: *"An amount, especially of money, payable yearly for a certain or uncertain period, as for years, for life, or forever."*

Annuities have long been popular in Great Britain and other European countries, where the interest on capital has been on the average much lower than in America. The sale of annuities guaranteeing a perpetual income has been an excellent source of revenue to the government which has offered this particular type of security. Indeed a large part of the British Funded Debt (prior to that incurred in the last war) is represented by these Government Annuities. Their popularity in England may be gauged by reference to the published statistics showing the amount of annuities sold through government channels in the period from 1901 to 1905, inclusive. During that time annuities purchased by 15,000 investors cost no less than $14,000,000.

The buying of annuities is slowly but steadily gaining favor in this country, although until recent years their purchase was practically restricted to a limited number of discerning investors who had an intimate knowledge of life insurance, and therefore knew that such investment yielded an unusually large return linked with absolute safety.

Why Annuities Yield High Income

The high income return from the purchase of an annuity is of course due in large measure to the fact that the investor's principal is definitely paid over to the company which guarantees the fixed income for life. This is the principle governing the large annual return, but insurance officials sometimes comment on the unusual longevity of annuitants. Statistics prove that annuitants on the average *live longer than other people.* Doubtless this is largely due to the peace of mind and the freedom from financial worry which is enjoyed by the recipient of a sure life income. Whatever may be the cause, it is a fact that many annuitants live to such a ripe old age that the company granting the income is apt to feel that an annuitant's life, like the brook, will "'run on forever"!

ANNUITANTS LIVE LONGER!

That, at any rate, has been the average experience.

The accompanying illuminating article describes one Annuity Form in detail.

Other forms will be discussed in later issues.

Annuities are a particularly desirable investment for elderly men and women with no dependents, or parents whose children are self-supporting; while widows and wards are safely guarded by such an income. The man who wishes to bestow a practical benefit on an elderly relative, an employee, or a friend can select no better channel for his generosity than through the purchase of an annuity for such a beneficiary. The income is regular, and it insures an income for life, however modest, for the recipient.

Andrew Carnegie, whose charitable gifts were widespread, was known always to bestow one dollar in such way that it might do the work of two—or at least have another added unto it. In his last will Carnegie *left annuities* to nearly all his employees. He knew that the benefits given in this form were far greater than their equivalent *cash* payments.

The absolute safety of this form of investment is a prime necessity. Unquestioned security must back the annuity payments, and a life insurance company offers the best medium. The investment of such companies are necessarily conservative and judicious. Their holdings are spread over wide areas of the country, in well balanced groups of diversified securities. These investments are not only subject to the approval and supervision of the Insurance Departments of the various states in which the companies operate, but the entire business of the life insurance company further safeguards the obligation to pay the annuities.

The Principal Annuity Forms

The principal forms in which annuities are issued are:

THE IMMEDIATE SINGLE LIFE ANNUITY;
THE JOINT AND LAST SURVIVOR ANNUITY;
THE DEFERRED ANNUITY, SINGLE OR JOINT; AND
THE SURVIVORSHIP ANNUITY.

The IMMEDIATE SINGLE LIFE ANNUITY is the form best known and

(*Please turn to page 77*)

HOW THE ANNUITY FORM WORKS OUT IN TYPICAL CASES

Table I—Annuity Purchased by $10,000

The following rates and percentages at specimen ages, male and female, indicate the excellent return afforded by an investment in an IMMEDIATE ANNUITY:

Age	*Annual Payment*		*Approximate Percentage Return*	
	Male	*Female*	*Male*	*Female*
60	$991.00	$872.50	10%	8¾%
65	1,175.00	1,027.50	11¾%	10¼%
70	1,405.00	1,248.00	14%	12½%

Table II—To Provide an Annual Income of $1,000

Suppose the investor wishes to arrange for the specified sum of $1,000. The purchase price for this amount, at various ages, male and female, follows:

Age	*Purchase Price*	
	Male	*Female*
60	$10,091	$11,461
65	8,511	9,732
70	7,118	8,013

How to Safeguard Your Family's Income

Readers of BUILDING YOUR FUTURE INCOME have asked for a descriptive analysis of the purposes and uses of the LIVING TRUST. This article is our response.

Expert Describes an Ideal Plan in Special Message to BUILDING YOUR FUTURE INCOME

By Russell S. Racey
Of the Equitable Trust Co. of New York

THE keenest foresight takes into account its own limitations. Man's recognition of his obligations to himself and his dependents has therefore given rise to the practice of establishing funds to be held in trust by responsible trustees for such specific purposes as may be designated.

The satisfaction of security and the assurance of protection, appeal to every individual. His only problem in this connection is to find the means through which that satisfaction and assurance may best be obtained.

Difficulties of accumulation bring skepticism, and the man who wishes to safeguard his accumulated property becomes more skeptical as he is besieged with schemes and plans for the use thereof. The creation of a "living trust" or trusts is the happiest solution of the problem.

There is no mystery in the establishment or operation of such a trust. The person who desires to set aside funds or property that the income therefrom may be used for some definite purpose, enters into an agreement whereby a second party is to hold such funds and guard them in such a way that the principal and the income therefrom may be assured to carry out the grantor's wishes. It is similar to a trust created by a will, except that it takes effect immediately.

Property to be used in setting up such a trust may be real or personal, and may be in cash or securities or both. Terms of the agreement may direct the retention of certain securities or may allow the trustee to use his or its own discretion in the matter of investments or reinvestments. The agreement may designate the type of security to be purchased and held. In the absence of specific directions, the trustee is limited in his purchases and holdings to such investments as the law may specify.

Selection of a trustee is the first important step toward establishing a trust. Trust companies and banks are authorized by law to act in this capacity. By reason of corporate life, corporate experience and financial responsibility appointment of such institutions is preferable to that of individuals. Protection may be termed a commodity. It is worth something and costs something. Fees for trustee service of this kind are subject to agreement. They are generally based on the statutory allowance for trusts under wills and constitute a moderate charge for the services rendered.

Acceptance of a trusteeship by a trust company or bank obligates that institution to administer the funds so entrusted in accordance with the terms of the agreement, and its capital and surplus are a guarantee of honest administration. Such funds are held by the trustee and are not to be used in any manner other than for the benefit of the parties in interest. Securities in trust should in no way be affected by the failure of the trustee institution. Even such uninvested funds as may be on deposit are "preferred" claims.

There has been a steady growth of recognition of the fact that living trusts have much to recommend them. When such a trust is created a certain amount of the individual's capital is set aside and beyond his immediate control except as certain powers are reserved. It goes to the trustee to be managed and held as set forth in the agreement, the income to be paid at such times and to such persons as the grantor has directed.

The outstanding advantages in "living trusts" are shown elsewhere.

The period of time over which "living trusts" may be effective is subject to legislative acts of the various states. In New York State the time is defined as "not to exceed the period of two lives in being" upon creation of the trust.

The creator or grantor of such a trust has a very wide choice of provisions and the advantages accruing are proportionately balanced.

It is the ideal method of assuring to one's family a steady income. Trusts are employed to provide for the education of one's children, for the care of dependents, or for meeting certain fixed expenses such as premiums on life insurance, and periodic payments to charitable, religious or educational bodies.

In this latter connection the Community Trust Plan is worthy of recognition. Information in connection with this plan is available through the trustee institutions.

A man truly "strengthens his position" where he provides for a trust. He may continue about his business confident that his future and that of his dependents is provided for.

OUTSTANDING ADVANTAGES of the "LIVING TRUST"

(1) *Principal and Income are protected so that unforeseen reverses or losses in business will not disturb them.*

(2) *Income Taxes are distributed among beneficiaries which in certain cases reduces the tax.*

(3) *Inheritance or "Estate" Taxes, in certain instances, are eliminated.*

(4) *In the event of the Grantor's death and under certain conditions:*

(*a*) *Funds in the trust are not subject to debts of the grantor.*

(*b*) *Such funds are not subject to expense of administration and counsel fee as part of the decedent's estate.*

(*c*) *If the trust consists of stocks there is a saving of the transfer tax usually imposed by the states wherein the same are issued.*

(*d*) *There is no interruption in the income to the beneficiary.*

Points for Income Builders

Definitions of a Few of the More Frequently-Heard Financial Terms

"CUMULATIVE STOCK" is stock whose holder is entitled to dividends at a certain stated rate at stated intervals.

Thus, a 7% Cumulative Preferred Stock is a preferred stock whose holders are entitled to receive, in the form of dividends, an annual sum equivalent to 7% of the par value of amount of stock held.

A stock is made "cumulative" for one reason only, viz., to enhance its investment appeal. Investors would naturally be drawn toward an issue of this sort, as compared with non-cumulative issues, because of the greater assurance conveyed that the income due them, under the dividend rate, will be forthcoming.

It should not be supposed, however, that a security issued on a cumulative basis will necessarily be an income producer. Indeed, a number of "cumulative" issues could be cited which have not paid anything in dividends for some time past; while other cases could be cited of "cumulative" issues which paid dividends for a while—and then ceased altogether.

Arrears or "Back Dividends"

When a corporation having "cumulative" stock outstanding fails to meet the dividend requirement on that issue at any given time, the amount of the passed dividend becomes a charge against the corporation. This charge does not take precedence over the other charges which the corporation must meet in the normal conduct of its business; but it does become a permanent charge, and one which has to be met before any dividends can be paid out on a junior issue.

If a corporation passes more than one due dividend on a cumulative issue, the amount of each succeeding dividend is charged up against it in addition to the amount of all preceding dividends that have been passed.

The total amount of overdue dividends which any corporation fails to pay "pile up" against it. They become known as its "Arrears," or "Dividend Arrears," or just plain "Back Dividends."

Participating Stock

Securities issued on a "participating" basis, broadly speaking, are securities issued on a certain plan whereby, under varying conditions, they share in a corporation's earnings to an extent over and above their immediate claims.

Thus, 6% preferred stock might be issued on a basis whereby, after dividends at the rate of $4 per share had been paid on the common, the preferred would share equally in further disbursements regardless of its regular dividend rate.

Bonds are also sometimes issued on a participating basis—enjoying the right to share in the earnings of a company to an extent not limited by their interest rate, but limited, instead, by the amount of dividend disbursements on junior issues.

A security issued with a "participating" clause attached naturally begets a speculative attraction which it would not otherwise possess.

Convertible Stock (or Bonds)

Stock is frequently issued on a "convertible" basis, which is to say, the holder is given the option, under varying terms, of either retaining the stock in its original form or converting same into some other specified issue.

For example, a Convertible Preferred Stock will often be issued on a basis authorizing the holder to exchange his shares into Common Stock at any time at his own discretion. Of course, the *terms* under which conversion is permitted—for example, the amount of common stock into which a given number of convertible preferred shares may be converted—will vary with particular cases.

Bonds, too, often have a conversion privilege attached whereby the holder, at his discretion, is entitled to convert his holding into another security.

Bear in mind (1) that, in respect of the two issues named in a convertible clause, the Conversion Privilege is practically always *from* the Senior security and *to* the Junior security, and (2) that a conversion privilege, once exercised, *becomes extinct*, and you will have no difficulty in appreciating the following:

Securities are issued on a "convertible" basis for either one, or both, of two reasons: The issuing company may wish to see the security so issued gradually transformed, through conversion, into an issue having a lesser claim upon the company's earnings and assets, or else it may wish to invest the security, through the convertible clause, with a speculative appeal that it would not otherwise possess.

Thus, a Bond Issue which is convertible into Common Stock will (if the conversion privilege is made attractive), eventually lose its identity as a bond issue and become, merely, a ratable amount of common stock, to the obvious advantage of the corporation.

That a bond whose holder is privileged to convert into Common Stock thereby begets a speculative appeal that would not otherwise exist goes without saying.

The Doorknob Companies Form a Trust

School for Traders & Investors

Eighteenth Lesson

On Tips and Other Things of Interest in the Market

A GREAT many people hold the impression that when a man understands the stock market he has the world by the tail and he can make about a million dollars a minute; but in *actual practice* it does not work out that way. To be a *successful trader* in stocks you must make a *series* of transactions in *equal amounts* of *different* stocks, and at the end of a few months, or a year, or a few years, you figure up your transactions and find that you have made a number of profitable trades and a number of unprofitable trades. You also have sundry expenses, just like any other business. These, in stock trading are composed of *commissions* that you pay to your broker, *taxes* that you pay to the Federal and State Governments, and *interest* on the amount of your debit balance with the broker. The *final* result, namely, the balance on the *debit* or *credit* side of your trading account, shows whether you have been successful during that period or not.

An Impossibility

I have *personally known* and *studied* the methods of a great many leading operators, big floor traders, large outside operators and members of the public, both large and small—many thousands of the latter—and I have never yet found a man who could trade actively in stocks, or inactively either for that matter, whose *judgment* was so *accurate* that he never had a losing trade. Hence, anybody who expects to *deal* in the *stock market* without taking occasional losses might as well not begin. It would be just as reasonable for the general of an army to say that he could go into battle and not have some of his men killed or wounded. It is the *final result* of the contest that counts.

Trading in stocks is *more* than a business: it is an art, a science, a profession—whichever you choose. Those who seriously engage in it should *make* it a business because it is one that demands the *utmost study* and *concentration* if a person is to make a *success* of it.

I suspect that a very large number of my readers are not traders, but people who have bought certain stocks because they have had reason to believe they would realize a *profit* therefrom. One of the first things I observe in looking over the correspondence of investors is the *irregular number* of shares of *different securities* which they are apt to hold. This is characteristic of the communications we receive in our Magazine. A man will have 10 shares of this, and 100 shares of that, 50 of another; then along down the list we find that he has 2,000 shares of a certain other stock. Of course, these stocks were all bought at different prices, and, as many people learn, after they have been doing this so-called investing for a while, the good results are apt to come in the investments in which they have a very *small number* of shares, while some of those in which they have *rather large* commitments, are apt to go wrong. This difficulty can be overcome by so dividing your purchases as to have either an equal number of *shares* or an equal number of *dollars* in each. I know of one investor who makes it a rule to employ approximately $5,000, in any *new lot* of bonds or stocks that he selects. This gives him what is known as a *good distribution* so far as the amount of money is concerned. If one of his stocks, for instance, is selling at $50 a share, he will buy 100 shares, amounting to $5,000; if another is selling at $100 per share, he will only buy 50 shares of that. In the case of bonds, he will buy $5,000 worth of bonds if they are selling around their *par* or *face value*. He figures on a certain *PERCENTAGE* of *profit* on his investments. If he buys a stock at $100 per share and it pays an 8% dividend, and if he has correctly anticipated the trend of the market or of that particular stock, he may be able to sell it at a profit of 10%, or, let us say, at 110% of its face value. This gives him a sure 10% on his money for the year, or the half year, or whatever time happens to be occupied in the advance in price from 100 to 110. If, in the meantime, he has also received one or two dividends of $2 per share each, he thereby realizes $2 or $4, additional, or 12% to 14% on his investment, and having accomplished this, he puts his money back into the bank and awaits what he hopes will be another favorable opportunity.

What Is the Main Saving?

Now, all this is not as simple as it seems. In the first place, to be *successful* along this line you must *thoroughly understand* what is known as the various trends of the market. Some people think there is only one trend—up or down. After they have tried it for a while they think there are numerous trends: up, down, sideways, backwards and zig-zag. As a matter of fact, the *main* trend of the market, something you doubtless all hear a great deal about, is usually on the *up swing* for a couple of years and then on the *down* swing for another year. There is nothing cut-and-dried about this, but it sometimes happens so. *Working* on this theory, those who buy stocks at the *bottom* of what is known as a *bear market* that has been running for about a year, look forward to realizing a substantial profit within the next year or two. That is what is called the *three-year cycle*—two years up and one year down.

But there are *other* trends in the market, the most *important* of which and the *most profitable* for those who *really understand* them, are the *intermediate* trends or swings in the leading active stocks which run from ten to thirty points in one direction and then in the other. In the *aggregate* these *points*, or *dollars per share*, that are traveled while a stock is taking its course from, say, 120 to 150, back to 130 and up to 160, total many more points than those represented by the difference between its low and high points, viz. 120 and 160.

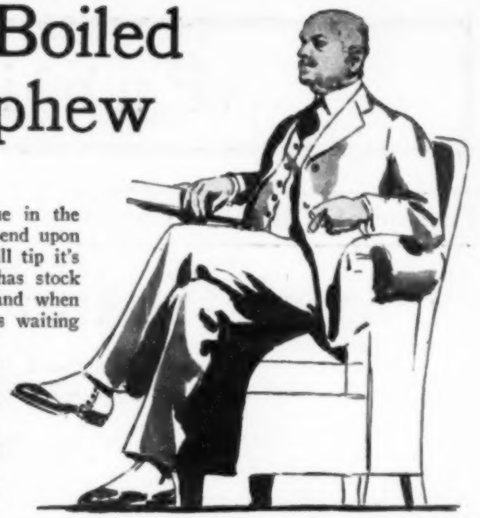
These *intermediate* swings are made up of numerous *smaller* movements which run from three to five days in one direc-

(*Please turn to page* 64)

Note: This article is one of a series broadcasted by Mr. Wyckoff every Friday night from stations WJZ and WEAF. If you have a radio at home or if your friend has one, we suggest that you listen in and get the benefit.

Letters from a Hard-Boiled Financier to His Nephew

By BARNARD POWERS



(7. In which Uncle Henry gives his nephew, Tyler Hobbs, an inside tip on the subject of Wall Street tips.)

The Royal Poinciania,
Palm Beach, Florida,
March 25, 1923.

Dear nephew:

I am pleased to see, from your last letter, that you are gradually working towards the correct conclusion that guesswork plays no part in successfully developing one's financial judgment. Occasionally a lucky guesser makes a clean-up, but Wall Street only loans him money which he always pays back with triple interest a hundred times compounded. Over a period of time the guesser has about as much chance as a clam at a Tammany chowder party. The guesser's Wall Street life is shorter than that of the proverbial grasshopper.

There is another insect, indigenous to the Street, which you should learn to avoid. He is a quiet, little bug who nips you before you are aware and whose bite is painless, at the time. The after-effects, however, are likely to be most distressing, depending largely upon one's ability to diagnose the ailment and apply the cure. Fortunately he is an obvious insect, easily identified and easily avoided, although many never learn to penetrate the endless variety of disguises which he employs. I refer to the "Tip-Bug."

I have observed that he has bitten you once and nibbled at you several times. I am in hopes that you will eventually become thoroughly inoculated against his virus. Though I don't expect that to happen all at once. The Tip-Bug and his half-brother, Overtrading, and his cousins, Buying-at-the-Top and Selling-at-the-Bottom, make the cotton boll-weevil seem like a visiting angel.

Just stop and reflect that in nine times out of ten a tip represents something somebody else wants you to do. That somebody may not be the one who gives you the tip, for it may have passed through a dozen mouths before you hear it. But at the end of the line is the one who originated the tip, and his object in originating the tip is to get you and me and a thousand others to buy or to sell. Now if the originator were buying himself, the purchasing by you and me and the rest, would put his market up so that he must continually pay higher prices for his stocks. The reverse is true in the matter of selling. You may depend upon it, then, that when you get a bull tip it's dollars to rubles that someone has stock they are waiting to hand you, and when you get a tip to sell, someone is waiting with a large basket to catch the plums as they drop. There may be some exceptions, but if you don't think what I am telling you is true in a general way, just try out a few of the next rock-bottom, copper-riveted, straight-from-headquarters special extra, honest-to-Gawd, inside tips you receive.

Speaking of tips reminds me of Bill Hazard and Pennsdale Steel. Bill was a financial reporter and a good man, too, at his own line of work. I always used to tell he would make a great detective for he loved mystery as a broker loves a market plunger. Bill couldn't tell you the time of day without making you think he had parted with a profound secret. He'd prefer any time to come into the house through the window rather than by the door. He always wore gloves, probably so that his left hand wouldn't see what his right hand was doing.

Well, Bill came to see me one day, and I knew by the way he walked in on his rubber heels that something big was brewing.

"Sell Pennsdale Steel," he hissed like the villain in the melodrama, leaning over my desk till his face almost touched mine.

"What's the matter with Pennsdale, Bill?" I said shoving back out of range in case he should become violent. "It always seemed like a pretty good little proposition to me."

Bill looked around a couple of times to see that Mr. Morgan or Mr. Baker wasn't listening at the keyhole, and said:

"Sell it for all you're worth I tell you. I just got it straight from the inside, right from old man Strube himself."

Now old man Strube was chairman of the board, and at first glance it didn't seem likely that he would give Bill the wrong dope. Newspaper men are better as friends than enemies.

But, I didn't sell Pennsdale because I knew that the company was intrinsically sound, and as the big war was just getting under way, it looked to me that there might be rush to buy steel from all over the world. The stock was then 62. Inside of a week, when I next met Bill, it was up to 67 on active trading.

"Did you sell it?" he asked anxiously, keeping a sharp lookout for spies.

"I haven't yet, Bill."

"Then for the love of Mike sell it right this minute. I saw Strube yesterday, and he said," Bill lowered his voice to a whisper, and I swear his hand trembled on my coat sleeve, "he said that this ten-point rise has been engineered by an outside bull pool. He says nothing in the company's condition or prospects warrants such a rise. He says he is sick of having his stock jumped around. He says that he doesn't trade in the market, but this time he is going to hand them a *big block of his own stock*. He says it's a cinch for 20 points on the short side."

Well, you know what happened to Pennsdale. Within about eighteen months it sold up to 840 a share. Bill is still writing newspaper articles telling the other fellow how to make money in Wall Street. He never mentioned the subject again, so I don't know what explanation Strube gave him.

It always seemed to me that if Strube knew what was ahead for Pennsdale he was lying to Bill, and if he didn't he was a dumb-bell. It is not my habit to call names, so all I can say is that no one ever accused Strube of being a fool.

How did I make out in the stock? Well, when Bill told me so violently to sell the second time I bought a couple of thousand shares between 68 and 69. Of course, I let it go too soon but at that I had no grounds for complaint. As I said before, when someone is exceedingly anxious for you to buy or sell, it usually is a pretty good time to do the opposite.

Your affectionate uncle,
HENRY B. HOBBS.

We do not say that Uncle Henry's little story of "Bill" Hazard and Pennsdale Steel is literally true nor either are we saying that it is wholly imaginary. But we assert that the lesson it conveys is one of the truest things you ever read, and, incidentally, may be worth a lot of money if you are one of those who learn as they read.

Public Utilities

Philadelphia Electric Company

A Staunch Public Utility

Increased Efficiency of Operation—Record of Earnings and Analysis of Safety of Common Stock Dividends

By WM. A. McGARRY

NOT many public utilities can show a nineteen-year record of uninterrupted dividends. The stock of a corporation in that position is generally widely scattered and closely held, so that even when the dividend rate is high the earnings as against the market price are conservatively low. The Philadelphia Electric Company has such a record of dividend payments, but it is evident that heretofore it has escaped the attention of investors in general, since the last annual report shows that 94 per cent of preferred and common stock is held by residents of Pennsylvania, and 77 per cent by residents of Philadelphia.

The market price value of the common stock—listed on the Philadelphia Stock Exchange—at this writing is about $27 a share, as against the par of $25. When it is stated that the dividend rate is now eight per cent it is evident that the stock is worth investigating if only because of its excellent past record. The fact is, however, that while this record has a certain value as indicating the conservative standards of the corporation, it is possible to show a brilliant future for the securities of the company with reference to past history.

The Company's Record

It may be of interest, however, to summarize this record. As stated above, it has paid dividends without interruption for nineteen years. For the nine years ending June 15, 1922, the rate was seven per cent. On that date, the directors placed the common stock on an eight per cent basis by the payment of a two per cent quarterly dividend, which has since been maintained. The corporation operates under a franchise which, in the opinion of legal experts, is perpetual. It does the entire central station electric light and power business in Philadelphia, and through its chief subsidiary, the Delaware County Electric Company, it does the entire commercial electric light and power business in the great manufacturing district southwest of Philadelphia. This district includes the city of Chester and such industrial centers north and south thereof as Eddystone, Marcus Hook, Lester and South Philadelphia.

Coincident with the decision to increase the dividend rate, the company announced early last year a voluntary reduction in rates for current, establishing a saving to customers of more than one million dollars a year. In spite of that and certain increases in operating expense which will be referred to later, the annual report for 1922 filed April 11, 1923, shows that net income increased from $4,093,908.51 in 1921 to $5,279,907.85. The company attributes this to "a continuance of growth in residential business, a substantial increase in commercial lighting, together with a decided increase during the last few months of the year in the use of electrical energy for commercial power purposes," and also to a marked increase in the efficiency and cooperation of employees.

It is worthy of note that, while operating expenses increased because of the factor to be discussed below, this increased efficiency is shown in the fact that expenses were actually less per unit of production, and that in spite of the extra expense of the 1922 coal strike. The Board of Directors therefore voluntarily approved a plan of wage dividend which was made applicable for all of 1922. It provides a two per cent annual wage dividend for employees of one year; four per cent for those on the payroll two years; six per cent for three and four consecutive years, and eight per cent for five or more years service. In the announcement of the plan it was stipulated that such payments would be made only from earnings of the system over and above:—

"All fixed charges. (Interest on bonds and notes, sinking-fund payments and amortization charges.)

"Regular dividends of eight per cent on the preferred capital stock of the company.

"Dividends of not less than eight per cent on the issued common capital stock of the company, and

"The crediting of a proper amount to surplus account for the year."

In the last half dozen years this corporation has been perhaps the most active electric service utility in the construction of new plants. The demand for its service is best indicated by the statement that business always has been booked in advance of the completion of such plants for full capacity, and sometimes far in excess thereof. The corporation is now completing the second half of its Delaware station, including three thirty thousand K.W. turbo generators. This is in the heart of the Kensington and Port Richmond industrial districts. In that and in other new and modern generating plants the company has built to be in a position to link its system with Super-Power when that becomes a reality.

Following the last meeting of the Board stockholders approved an increase of authorized capital stock from $65,000,000 to $100,000,000, and shortly thereafter there was issued an additional ten million dollars of common stock, present holders being given the opportunity to subscribe at par up to one fourth of their prior holdings. In that connec-

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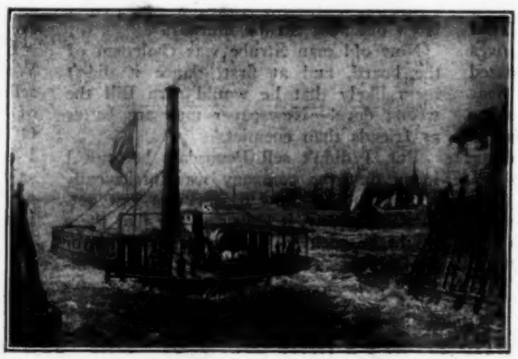


PUBLIC UTILITIES IN DAYS OF OLD

How they used to travel between Manhattan and Brooklyn along about 1858. If we would believe the engravers of old New York, the East River was wider and the waves more tumultuous in those days than now

A South American Public Utility Stock Investment

Remarkable Record of Growth of Canadian-Owned Company Operating Utilities in Rio de Janeiro and Sao Paulo

By HORACE P. WATERS

SOUTH AMERICAN investments are associated in the minds of many American investors with vague ideas of revolutions, defaults on bonds, unstable currency, and the like. Yet, on the whole, these are merely the spectacular exceptions in an industrial and economic development which has shown a remarkable growth and underlying soundness, and the over-emphasis on the unfavorable features has been due simply to our geographic and mental distance from the southern continent.

Typical of the sounder kind of business in South America is the Brazilian Traction, Light & Power Co., Ltd., organized in 1912 under the laws of Canada as a consolidation of three utility companies operating in Rio de Janeiro and Sao Paulo, Brazil. The uninterrupted growth of the company's activities might well be envied by many an American company, and the earnings record has been correspondingly satisfactory.

Good Record

At the beginning, the company had to struggle with the handicap of being, very frankly, over-capitalized. The new holding company not only guaranteed dividends on the stocks of its subsidiaries which were not turned in for exchange, but distributed its own capital stock on a very generous basis. For 60 millions, par value, of the capital stock of its three main subsidiaries, Brazilian Traction issued 104.5 millions of its own stock of $100 par (Canadian currency).

BRAZILIAN TRACTION'S FINANCIAL STANDING

Year	Earned Per Share	Paid Per Share
1913	a$6.95	$7.50
1914	6.65	6.00
1915	4.51	4.00
1916	4.30	4.00
1917	4.15	1.00
1918	4.29	....
1919	6.62	....
1920	5.06	....
1921	2.47	....
1922	5.87	2.00
1923	b7.00	c4.00

a Pro-rated from earnings for 18 months ending Dec. 31, 1913.
b Estimated from 7 months' earnings.
c At current dividend rate.

The steady accumulation of earnings from the very start, however, and the omission of dividends from 1917 to 1921, in spite of satisfactory earnings, enabled the company to add nearly 7 millions to its working capital and to invest a total estimated at over 20 millions in improving its properties and increasing their capacity to take care of the constantly growing demand.

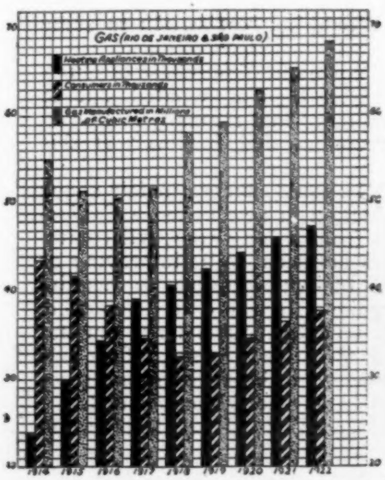
In consideration of the holding company's guarantee of dividends on those stocks of its subsidiaries which are still extant, it receives their entire net income, after deduction of operating expenses and fixed charges. As the company issues monthly reports of its gross and net earnings, which are kept up to date within five or six weeks of the period to which they refer, it is comparatively easy to keep track of the company's rate of prosperity.

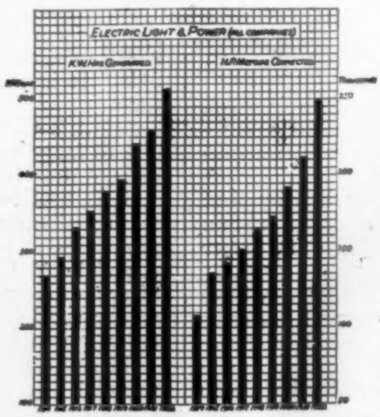
The first seven months of this year show 160.7 million Brazilan milreis of gross revenues, compared with 126.3 millions in the corresponding period of 1922, of which the company retained 96.7 millions as operating income, compared with 78.4 millions last year, substantially preserving the same ratio. As the company earned $5.87 a share on its common stock last year, the company should show a little over $7 a share earned this year.

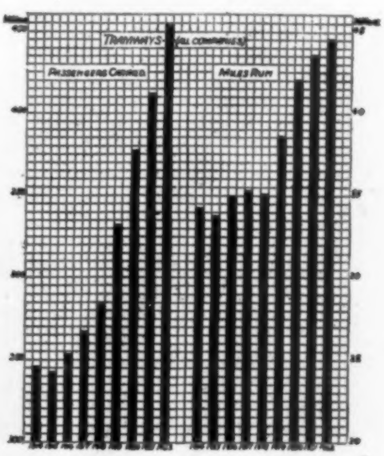
The prospective American investor in this type of security must keep track of the effect of currency fluctuations on his income. In this case, it is the Brazilian milreis and the Canadian dollar, in relation to the American dollar, which he should watch, as the company keeps its own accounts in Canadian money, the United States investor pays out American dollars and figures his income in the same, and the operating subsidiaries in Brazil receive their revenues in milreis.

Canadian currency is now at a discount of 1⅛% against American, with which it is normally at par; should the Canadian dollar return to par after the purchase of a stock whose dividend is payable in dollars, the investor would have a small exchange profit, while the possibility of further depreciation of Canadian currency is not considered great. The Brazilian milreis, on the other hand, has been weak all during this year, and is apparently

(*Please turn to page* 81)







Growth of Services—Brazilian Traction, Light & Power Co., Ltd.

Petroleum

What Is the Oil Industry Doing to Combat Depression?

A First-Hand Impression of Current Activities Among the Oil Companies Together with an Analysis of the Position of Leading Stocks

By J. G. SWARTZ

THERE have been many statements given out, pro and con, by various people prominent in the Oil Industry on present conditions and the future outlook of this industry. While some dispute the assertion that the peak of production has been reached, most students of the situation believe that the flood of crude oil now coming to the surface in this country will soon commence to recede if it has not already begun to do so.

It is very unfortunate that so many large producing areas should have recently been discovered at approximately the same time. This has led to much waste in actual production of crude, which all agree is a serious economic waste. It has also led to the unnecessary expenditure of an enormous sum of money, estimated by well posted authorities, to be as high as $500,000,000, by promoters and others, all eager to recover all the oil possible in the quickest possible time. **Had the various fields oeen developed in a manner in accordance with the best practices and, had none of the overdrilling been undertaken, not only would much money have been saved, but the oil would have been produced only at a rate that would have permitted its absorption by the industry.** None of the frantic efforts to complete wells would have been witnessed with its consequent throwing of additional crude oil on an already glutted market.

A SUMMARY OF THE POSITION OF LEADING OIL COMPANIES

STANDARD OIL OF NEW JERSEY STANDARD OIL OF NEW YORK STANDARD OIL OF INDIANA STANDARD OIL OF CALIFORNIA TEXAS COMPANY GULF OIL PAN-AMERICAN	All have very large financial resources and will weather present storm, taking advantage of current conditions to acquire properties at low cost. Investors should wait, however, until general market conditions improve before acquiring these securities.

COSDEN has an exceptionally large amount of gasoline on hand and, while they expect to carry it over until next year when they hope to market it at a better price, it ties up a lot of money which could be used profitably at the present time. For the long pull it is a suitable medium but would defer purchase until market conditions improve.

CALIFORNIA PETROLEUM will probably be in a position to take advantage of bargains as they have strengthened their cash position through sale of additional securities.

MIDDLE STATES sold some of their valuable holding to Magnolia which possibly indicated the need of cash. This issue is not recommended.

PACIFIC OIL earnings are curtailed by shut down of their best producing properties in San Joaquin Valley in California. There are better investments in other directions.

PHILLIPS PETROLEUM will probably have hard time selling all their crude and earnings will possibly be reduced. This issue is not recommended.

PRODUCERS AND REFINERS has been taken over by Prairie. Present situation is that Prairie has one representative on Board of Directors. It is understood that this representative was placed on the Board until indebtedness of P. & R. to Prairie was discharged. Prairie has taken over P. & R. and on Prairie's terms and conditions. Would suggest switch to some other company.

PURE OIL will come out of purchase of Humphreys interests better than anticipated, due to unexpected production of that company in Powell field. It is not recommended, however, at this time.

SHELL UNION should emerge in fair shape due to large production in new fields in California. A fair issue from a long-range viewpoint.

SINCLAIR does not seem to be improving or taking advantage of opportunities to acquire properties at bargains. It is not recommended.

SKELLY OIL recently sold a large amount of crude to Standard of New Jersey. This sale was generally supposed to be at a bargain price indicating need of cash. Not recommended.

TRANSCONTINENTAL OIL. Not recommended.

TABLE SHOWING PRODUCTION OF CRUDE OIL BY STATES

Daily Average for Month	Texas	Kansas	Oklahoma	Louisiana	Eastern States	Wyoming Montana	Calif.	Arkansas	U. S. Total	Imports
Oct. 1922	316,370	90,400	424,000	97,500	116,400	86,400	423,700	34,127	1,589,000	251,000
Jan., 1923	304,500	86,700	436,700	81,200	113,500	123,300	517,500	111,926	1,770,000	250,000
June, 1923	320,300	85,500	521,900	72,700	110,200	129,600	773,000	133,600	2,160,000	264,000
Oct., 1923	473,000	72,000	404,000	65,300	107,500	165,500	821,000	122,500	2,155,000	273,000

Beginning with the Tonkawa field in Oklahoma, the development of the three fields in California—Huntington Beach, Signal Hill, and Santa Fé Springs—followed in quick succession, and we now find the Powell field in Eastern Texas booming along to the point where it is now the third largest single producing area ever discovered in this country, with the possibilities that it may move up to second place, being exceeded only by the Cushing field.

For quite a period after these fields began to be factors in the production of crude, little or no effect was felt on the industry. As late as last January of this year, there was more crude consumed than was being produced. This was mainly due to expectation of the refiners that there would be a greatly increased consumption by the public of petroleum products—particularly gasoline. The refiners also failed to correctly estimate the amount of refined products that would be turned out by the industry. The latter error proved to be the most serious as the consumption of gasoline by the public up to the present time has been at least 10% greater than the anticipated demand. Thus every refiner radically increased production up to the greatest possible capacity—storing what products could not be marketed until the summer season would arrive. This, of course, led to a heavy demand for crude oil and sight was temporarily lost of the gradual mounting production.

When the refiners finally awoke to the true situation, that too much crude oil was being run by the refineries, they began to curtail operations in the attempt to keep from adding to their already enormous stocks of refined products. This caused the demand for crude to slacken with a consequent turning of the excess crude produced into storage. Overnight almost, the over-production of crude was hard upon industry.

The development in the new fields was not curtailed but continued as strongly as ever. Efforts were made by those prominent in the industry to stop the development of new wells, but these efforts and pleas were not successful and finally, it was found necessary to prorate the runs and drastically reduce the price to bring the producers to a point where they would discontinue the bringing in of new production.

Recent Decline in Production

An examination of the production of the various producing fields in this country shows that, with the exception of the Powell Field in Texas, every one has shown a decline in the past month. It is probable that the Powell field has not as yet reached its maximum production. The limits of the field have not as yet been defined, but it necessitates the continual bringing in of large new wells to keep the production up to previous figures. The wells in this territory come in as exceptionally large producers but, like Mexia, decline exceptionally rapidly. The production from this field is now running over 300,000 barrels daily but of this amount, eleven wells are making around 130,000 barrels daily while the balance of the field of 260 producers only make slightly more oil. It is the opinion of most operators that this field will decline rapidly as a factor in the oil industry and will not produce, as a field, over 100,000 barrels daily by Spring.

Reference to the accompanying table showing crude oil production will find that the large increase in output for the year comes from Texas and California, with a smaller increase in Wyoming. The balance of the producing areas show decreases, with Oklahoma leading with a decline of some 120,000 barrels daily. The increase in Texas comes almost entirely from the Powell field, the increase in California from the three fields near Los Angeles and the increase in Wyoming is due almost entirely to drawing more heavily on the Salt Creek Field.

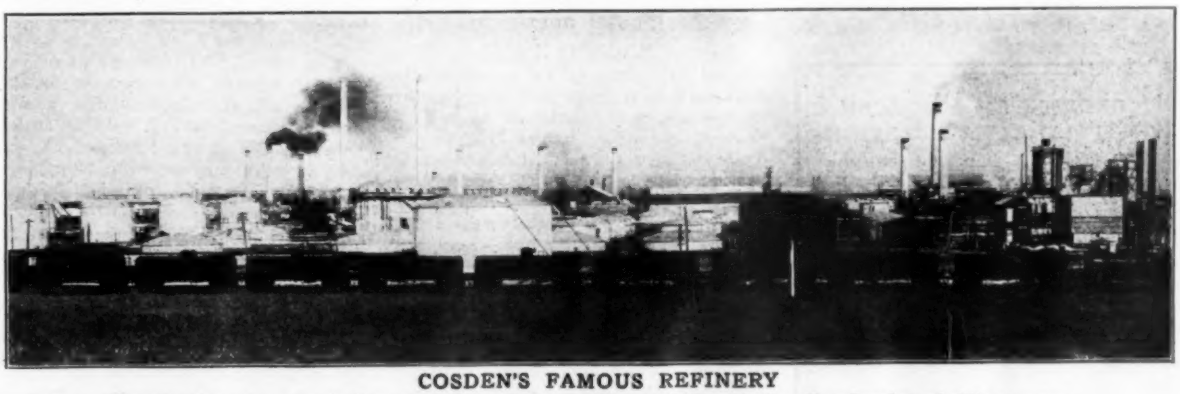
There is no doubt that with the exception of Powell, the other fields which caused the increase, have passed their maximum production. It is believed that the three California fields will show a decline of at least 200,000 barrels per day by Spring and, with the expected decline of the Powell Field, it is believed that the present total production should show a decline of about 300,000 barrels per day. This would bring the production down to about 1,800,000 barrels daily, or a little over the production of January 1923.

To offset this, however, it is very possible that Oklahoma can increase the production from that territory 75,000 barrels by producing all of the wells at full capacity so that a portion of this decrease can be eliminated if the producers so desire. It will be noted that the crude oil consumption for the early part of the year was about 1,900,000 barrels daily, while for the month of August it was about 200,000 barrels in excess of this amount.

It is thus seen that if the production of crude declines as indicated above, consumption and production will about equalize. However, it is not believed that consumption for the last part of this year will show the same proportionate increase over last year, as it did for the first six months. The reason is that many refineries are closed down because they either cannot operate at a profit on current prices or have run into financial difficulties on account of the drastic reduction in prices which has occurred this year.

Oil in Storage

Since January of this year, the amount
(*Please turn to page* 82)



COSDEN'S FAMOUS REFINERY

Famous because one of the most elaborate as well as efficient of the oil refineries of this country

Mining

American Metal Co., Ltd.

America's Premier Metal Distributor

Diversified Activities of Huge Refining and Distributing Company Enable It to Make Money Despite Depression in Metal Markets

By MAURICE LA FONTAINE

WHEN the American Metal Co. started business, in 1887, this country produced less than 195 million pounds of copper a year. Now the country produces well over a billion pounds annually, and American Metal alone refines more copper than the whole United States turned out in the year it was organized. The amazing extent of this growth explains how the American Metal Co. grew from a corporation of $200,000 capital to one which carries its capital stock on its balance sheet at over 21 million dollars.

Diversified Activities

Its activities have grown not only in extent, but in diversification. At the present time, the company is not only a selling and trading concern but a holding company for subsidiaries, most of which are fully owned, doing a smelting and refining business in the important non-ferrous metals, and operating properties in the zinc district around Joplin, Mo., in Pennsylvania, in Oklahoma, in Mexico, and in Cuba, beside doing an international trading business in metals. It handles most of its buying and selling business on its own account, but also acts as a selling agency for a few large metal producers, such as, for instance, the Cerro de Pasco copper mines of Peru.

It is the largest factor in the United States in the tin industry, importing about 2,000-2,500 tons monthly, or a third of the total American imports; it is one of the most important elements in the copper business, producing at its own refineries 20 to 25 million pounds a month, and handling in a commercial way a considerably greater tonnage; it is among the largest zinc distributors in the country, producing 5-6,000 tons a month, and handling over twice as much; through a subsidiary, it produces about 4-5,000 tons of lead a month, and over a million ounces of silver as a by-product. It also produces coal, sulphuric acid, heavy chemicals, zinc dust, and precious metals of the platinum group; it owns a freight steamer line and additional ships run independently; and has a host of smaller outlying interests, a copper smelter in Chile, railroad equipment in Mexico, and the like. In 1920, the company absorbed the business of L. Vogelstein & Co., international dealers in metals.

GROWTH OF AMERICAN METAL'S CAPITALIZATION

Year	Capitalization
1887	$200,000
1891	300,000
1897	600,000
1899	1,000,000
1901	1,500,000
1904	2,000,000
1906	3,000,000
1909	3,500,000
1917	7,000,000
1920	14,000,000
1922	21,418,000

The Profit-Sharing Plan

Considerable misapprehension appears to exist as to the effects of the profit-sharing system which the company has used for many years back. The average of these payments for the past twenty-five years, according to the statement made to the New York Stock Exchange last year, was 35% of the amount remaining after dividends on the common stock had been paid. According to the same statement, no such divisions will in the future be made in any year unless the common stockholders have first received dividends of $3 a share. As the company is now paying out that sum in dividends, the management is now eligible for profit-sharing, but is not debarred from paying still higher dividends on the common in addition, if it chooses.

What this amounts to in practice is that there is a great incentive for the management to pay dividends up to $3 a share on the common, but little to pay dividends at any higher rate, unless it happens to be holding a considerable proportion of the stock itself. In view of the known narrow market for the stock, it is not improbable that such is actually the case.

The company's business is so elaborate that it is difficult to interpret its earnings statements, unless one knows exactly what proportion was contributed each year by the different departments of the company's activity. The attached figures indicate, however, that barring 1920, when inventories fell unusually fast and before proper precautions could be taken, the company has been able to make money in each of the past eleven years, and in some instances, handsome earnings. Under normal circumstances, the company can always count on doing a certain minimum amount of profitable business as a metals selling concern, even should its own smelting business prove unprofitable, so that earnings normally have a certain minimum.

In view of the absence of balance sheets of previous years, comparisons are difficult to make. The statement as of Dec. 31, 1922, however, indicates a very healthy state of affairs. At that time current assets amounted to 24.3 millions against 5.5 millions of current liabilities. Among the former, cash amounted to 1.8 millions, and investments were carried at 1.5 millions. Current liabilities show a great decline from 15.8 millions at the end of the preceding year, notably in the item of "acceptances" representing the company's use of bank credit. In the same period 1.5 millions of notes payable and 2 millions of time loans due to the officers of the company have been paid off.

AMERICAN METAL'S RECENT FINANCIAL RECORD

Year	Earnings Available for Dividends and Profit-Sharing (In Millions of $)	Dividends to Stockholders (In Millions of $)
1912	2.7	1.5
1913	1.6	0.9
1914	1.7	0.7
1915	7.3	1.8
1916	20.8	3.8
1917	5.8	2.1
1918	1.9	0.8
1919	4.6	1.4
1920	def.	...
1921	0.9	0.8
1922	2.0	1.4
*1923	2.0	1.6

* Partly estimated.

The following comparison will illustrate

the progress which has been made in improving the company's finances:

	1921	1922
Total current assets	$25,969,621	$24,262,266
Total current liabilities	15,787,085	5,509,379
Cash	1,240,580	1,811,450
Deferred expenses and claims considered good, etc.	1,028,348	1,937,019
Acceptances against letters of credit	5,557,592	297,502
Accounts payable	3,648,746	2,398,718

Part of this improvement was due to the changes in capitalization which took place during 1922. At the beginning of 1922, the capitalization consisted of 140,000 shares of common of $100 par. This was split up and new stock issued at the rate of 3⅓ new shares of no par value for each old share, and a little later 69,333⅓ shares of the new common, together with 50,000 shares of 7% cumulative preferred of $100 par, were sold to a syndicate of bankers.

As at present constituted, the capitalization consists of $374,000 of American Zinc and Chemical Co. first 5s, due 1938; 5 millions of preferred, and 536,000 shares of common of no par value.

Except for 1920, the company has maintained a liberal dividend policy toward its stockholders. The new stock was put on a $3 basis, equivalent to $10 a share on the old common, which rate is being maintained today.

At present prices of 45, the stock yields 6.67%, which is too low unless another dividend increase is impending. In view of the poor outlook for the metals market and the uncertainty as to the working-out of the profit-sharing policy under present conditions, the stock does not seem attractive in spite of the splendid record of the company.

Mother Lode Coalition Mining Co.

A Low-Cost Producer and a Low-Priced Stock

OUTLINE OF MOTHER LODE'S RECORD

	1920	1921	1922	1923 (1st half)
Copper produced (millions of lbs.)	17.5	18.9	24.6	14.9
Average cost of production	8.66c	7.00c	6.90c	7.27c
Earned per share (before depletion)	$0.42	$0.40	$0.66	$0.43

THIS company has existed in its present form since 1919, when it was incorporated to succeed the old Mother Lode Copper Mines Co. of Alaska. Its property is located next to Kennecott's Bonanza mine near Kennecott, Alaska, and its mine is connected with the Bonanza shaft by two tunnels, through which its ore is hoisted over Kennecott's aerial tramway to Kennecott's mill.

Kennecott has an agreement to take 12,000 tons per month of Mother Lode's ore to be treated at its mill at cost until the end of 1928. As Mother Lode produces about 13,000 tons of ore per month, this agreement takes care of the major portion of its output. In addition, Kennecott controls the company through ownership of 1,150,600 shares out of the 2½ million of Mother Lode no par shares outstanding through the Alaska Development & Mineral Co., a fully-owned Kennecott subsidiary.

During the first half of the present year, Mother Lode produced an average of 2½ million pounds of copper a month, and since June has been turning out 3 million pounds monthly. Of the 13,000 tons of ore from which this copper is extracted, about 1,000-1,300 tons are high-grade ore assaying 60-65% copper, and the rest is low-grade, running between 6 and 8% copper, which is concentrated at Kennecott's mill before being sent to the smelter at Tacoma.

Production Cost

Average cost of production for the first half of the year was 7.27 cents a pound, and may be somewhat lower at the present time, because of the increased rate of output. Even at the present low price of 12⅝-12¾ cents a pound for copper, therefore, Mother Lode should be capable of operating at a profit.

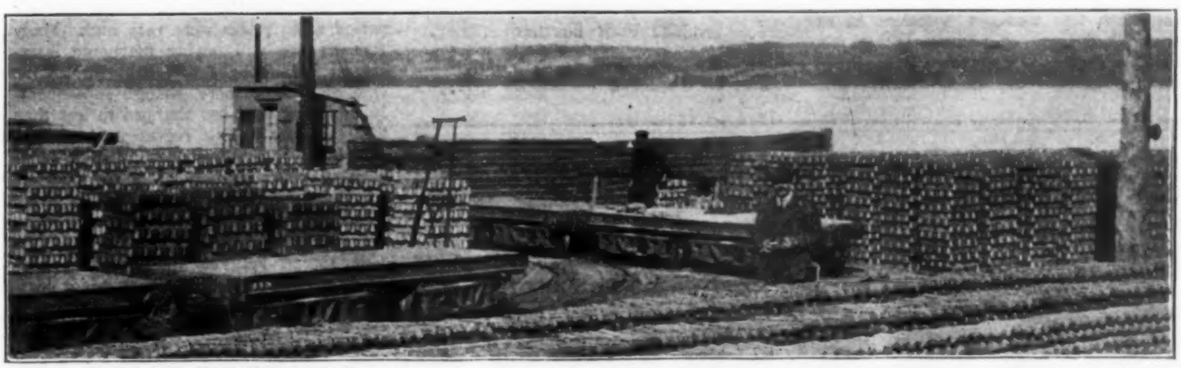
Its earning power in the past has been excellent, but the heavy capitalization of 2,500,000 shares has been a disadvantage from the standpoint of the stockholder, in view of the fact that it has almost half as many shares as the U. S. Steel Corporation.

One result has been that no dividends were declared on the common until June of 1922, since when it has been paying at the rate of $1 a share annually. The next semi-annual payment is due in December.

The financial position at the end of last year was satisfactory, but not brilliant. Current assets amounted to 1.3 millions against $448,000 of current liabilities, and included only $114,000 in cash against $577,000 at the end of 1920. Since that time, however, a million of mortgage bonds have been paid off, which would partly account for the loss.

Conclusion

At current prices around 8, the stock yields over 12%, should another 50c. dividend be paid in December, and is undoubtedly as attractive as any of the cheaper coppers, on account of its low production costs. On the other hand, until trade conditions are a little better it would not seem wise to invest in copper securities, especially as it would be conservative policy for the company to put its dividend on a 50c. annual basis by omitting the December payment.



Copper ready for shipment from a Michigan mine. The price of copper is now at its lowest point since September, 1921

Readers' Round Table

A TYPICAL CASE *Editor, The Magazine of Wall Street,*

Sir: I have been a reader of your valued publication for a number of years and during that period I believe that I have learned a few things about the art of investment. One of them has been that it is unwise for a man of such moderate means as myself to over-extend his commitments on the more or less speculative side. This has undoubtedly saved me a great deal of money. Yet, on checking up the results over these years I find that while I have gradually increased my income from my investments—due largely to suggestions in your columns—I have really been unable to increase my principal except through the ordinary channels of saving. In other words, I have succeeded as an investor but not as a speculator. I suppose I have a good deal to be thankful for. Nevertheless, I have the perfectly human weakness toward seeking speculative profits. A few general words from you along the lines of the above would be appreciated undoubtedly by many of your readers.

H. G. K., Watertown, N. Y.

If you have really learned how to increase your income from your investments, you have indeed learned a great deal. All things being equal, it is far easier to attain success in investment than in speculation. The speculative field is beset with many obstacles and years have to be spent in study before a reasonable amount of success can be achieved. It is therefore perfectly natural that you should have succeeded as an investor while your speculative activities have netted you little. This is as it should be. In the long run, provided you continue successful in your investments, you will probably achieve results quite as satisfactory as if you had achieved them from speculation. What you probably are dissatisfied with is that it takes so much longer to succeed in investment than in speculation. Paradoxically, it may really take you much less time, as sufficient losses can be had from speculation to set you back for years. Therefore, you should continue as you are doing, learn more about the art of investment. It will take you longer to get there, but you will get there more surely.—Editor.

Is Europe Getting Ready for War?

Editor, The Magazine of Wall Street,

Sir: The papers are full these days of impending collapse of Europe, and predictions are made of a new war. Even Lloyd George, our eminent visitor, has been making predictions along this order. Personally, I would doubt such an outcome if for no other reason than that Europe is too impoverished to conduct another war.

G. B., New York City.

We of course can make no predictions of another war. It is to be doubted, in fact, if even the chancellaries of Europe know what is going to happen. A great deal of confusion exists among statesmen everywhere. Whether or not, therefore, we are going to witness another war is dependent on conditions which cannot be accurately estimated at this time. This much can be said, however, and that is that Europe is getting further and further away from a real peace settlement. The Paris Conference has sown seeds of discord, and the world is now reaping the harvest. From a purely trade viewpoint, it is very likely that present conditions can lead to no good. There has already been witnessed some temporary stoppage of trade as a result of the demoralization in Germany. The pound sterling has declined to the lowest point in over a year. Our copper industry is stagnant mainly as a result of such conditions. So you can see that, whether we have a war or not, we are certainly having something very much like it in its practical results. Incidentally, it is apparent that the place where small American investors should invest is right in their own country and not where conditions are so unsettled as in Europe.—Editor.

The Poor Farmer

Editor, The Magazine of Wall Street,

Sir: In a number of articles that you have published the impresion was given that the farmer's state is desperate. To be perfectly fair, I have also noted that you have not been one-sided in your attitude and that you find it possible to state that the farmer's position had improved in some respects. The truth is somewhere between, I imagine. As a matter of fact, it is difficult to envisage the farmer as one person and only one. In reality, there are many different kinds of farmers. Some are prosperous and others are not. For example, the grower of corn this year has nothing to complain about. He is receiving the highest price for his product in a number of years. The wheat farmer, to be sure, is not in such a good position, and there a real problem exists. The cotton grower, however, is flush these days. Witness the unusual activity of the South which sprang from 30-cent cotton. You once ran an article on that subject pointing out how 30-cent cotton would benefit the South. You were right. The tobacco people are not complaining, and even livestock seems to be looking up. You will see, therefore, that it is by no means true that all farmers are in a bad state.

V. H. T., Philadelphia, Pa.

What you have to say about the farmer is largely true. In the various agricultural districts there are varying conditions of prosperity. The cooperative movement among the farmers has undoubtedly been of considerable benefit, and, in respect to the individual commodities grown on the farm, the higher price of cotton and corn, principally, has not been without effect. Nevertheless, these are conditions which have arisen out of this year's condition in the crops. Next year may be a different story. In regarding the state of the farmer, one has to take into consideration not only temporary conditions but the underlying situation. For example, you are undoubtedly aware of the fact that a great many farmers have not yet liquidated their debts incurred during the war period when prices were very high. Many farmers are still paying mortgage interest on land bought and paid for at the rate of $300 an acre, though subsequently this same land has slumped to less than $200 an acre. This represents a serious loss to farmers affected by such a situation. Furthermore, there is the question of freight rates which has had a great effect in reducing the net profits of many farmers. Also there is still a considerable spread between the price of commodities which the farmer buys for himself and his family and those prices which he receives for his products. You will see, therefore, that the farmer's situation is by no means rosy even though certain groups of farmers are making headway against their handicaps.—Editor.

For a specially valuable article on the security markets at this time, read Mr. Wyckoff's article appearing on page twelve. This article discusses in detail the position and outlook for common stocks. Another particularly important article is "Ten Preferred Stocks Well Worth Watching," on page 30. Also read "Expenses That Eat Into Profits" for an inside story as to the difficulties which business is meeting in regard to making profits today.

Are You Ever Approached by Stock Salesmen? If So—

Find Out What Excuse the Company Has for Its Existence

A Few Pointed Remarks that Will Be Appreciated by Those Who Have Lost Money in Unsound Securities

By WILLIAM H. BARBOUR

Of the Investors' Vigilance Committee, Inc.

JUST because figures can't lie but liars can figure, corporations have been wrecked and empires lost.

"Oh, tell us something new!" say you? "We'll try," say we. Perhaps it won't be something absolutely new; perhaps it will be like fixing up last winter's overcoat, but we're going to try a tailoring job so that it may pass for something new. So you just sit back with that cheerful expression which cannot belie your inner resolved thought, "Go ahead and try it!"

A pencil and a sheet of paper is the prime requisite. We are going to show you how, if you put money into our small loan company, we will take your investment and invest and reinvest and re-reinvest almost ad infinitum and by means of this turnover, presto! We have made thirty, forty, yes a hundred per cent for you. It's a pretty figure picture. It would make the most ardent disciple of the futurist art turn green with envy. Punch holes in our pyramided figures. Try it. It simply can't be done. Just as bullet-proof as are the pyramids of ancient Egypt.

Yet how many liars do figure. They are doing it every minute as they try to unload securities on the principle that "Hope springs eternal in the human breast." The aforementioned reasonably patient listener may be impressed with the pyramided figures, but he is conversant with the time-honored injunction. He wants to know more—that is if he is half as wise as he pretends.

Things for Mr. Investor to Know

What about the company? Does it really exist? Is its financial plan sound? Who are its officers? Do they know their business? Is the stock selling commission reasonable?

Assuming all these questions can be intelligently and satisfactorily answered, the reasonably patient listener with wisdom oozing out of every pore has been visibly impressed. In selling parlance: he is sold. Money and stock certificates change ownership. Later—No dividends. Finally—receivership; worthless stock. An old, old story. Yes, and frequently a sad, sad story. What happened? THE COMPANY DID NOT JUSTIFY ITS EXISTENCE.

There are many, many companies just stumbling along, just managing to hold on, and all because they don't justify their existence.

An example: A couple of years ago a pretty clever chap conceived an appliance for automobiles and trucks. It was intended to eliminate carbon, by taking the water vapors from the radiator; conserve gas by taking the gas fumes that escape past the piston rings down into the crank case before they mixed with the cylinder oil and carrying gas and water vapors into a combustion chamber placed on the hot spot of the exhaust the superheated vapors were then to be mixed together and sprayed into the intake manifold just beyond the carburetor where the new fuel was mixed with the raw gas. The appliance meets every claim made for it. It gives a peppier motor, increased gas and oil mileage.

The company was formed. No more honest officers could possibly have been selected. Stock was sold but not along the well-known high pressure lines. The appliance was well received by men well up in the motor trade. State agents invested time and money. But, the public simply would not buy in sufficient quantities to make the thing go right. Everything alright but the market. As yet the company has not justified its existence.

How many other similar cases there are it would be foolish to even hazard a wild guess, but the number is legion. They are not confined to the motor trade, however.

JOIN THE I.V.C.

The I.V.C. (Investors' Vigilance Committee) operates in co-operation with THE MAGAZINE OF WALL STREET *and with Chambers of Commerce throughout the country in stamping out frauds, fakes, swindles and bamboozlements in the stock-selling game. For the purpose of presenting regularly the work of the Committee, these pages are donated by The Magazine. While the statements herein are not guaranteed, they are based upon information which we believe to be accurate and reliable.—Editor.*

Another Example

We have in mind a company located in New York that has a new type of engraving die. The men back of it stand high in the business world. They have a plausible plan. But the company hasn't yet been able to justify its existence.

Or let us take the surfeit of mortgage companies. We have investigated a great many of them during the past few months. We have paid close attention to two particular types: Those that have not justified their existence and those, we believe, that have. Some that we have examined could not justify their existence with Blue Sky Commissions and orders to cease selling stock have been issued. A few, on the other hand, are showing by their earnings and their financial statements that there is justification for their existence.

Therefore, we say to you, Mr. Prospective Investor, the next time you are approached by a stock salesman, if you would invest wisely analyze the justification for existence along with the company's general plan and its personnel. And make this investigation BEFORE you invest, not after, if you would make sure your money is safe.

Please go back and read the preceding paragraph again. Then after reading it, read the last sentence again, paying particular attention to the little word "BEFORE." Some day we are going to write an article around that little word. It should be much more interesting if our readers would lend a hand by writing in telling us of personal experiences resulting from investigating afterward instead of BEFORE.

To the American Banker:

What are the running expenses of your Bank?

Should these expenses be reduced? If so, how can they be reduced? What salaries should you pay?

What is your bank's chance of earnings?

These vital subjects are treated in the following practical article, which is published because of its immediate application to your banking problems.

How Much Should It Cost to Run Your Bank?

What an Average Outlay Would Be—How to Control Expenses—Looking for Leaks

THE question of bank expenses and overhead is constantly before the management of every conservative institution and is of special importance in those parts of the country where interest rates are comparatively stable and moderate, and where, therefore, it is not likely that unexpected earnings due to sudden accretions of valuable business will be had. **Where competition has resulted in the payment of a rate of interest on deposits which is well up toward the maximum of what the bank can spare, the new bank in particular has to use special caution in committing itself to rental charges that will eat sharply into its income.**

While it is a fact that salaries in many parts of the country have become fairly standardized, there is an increasing degree of competition between banks and business establishments which want to employ competent financial officers and which often find that a well trained "bank man," especially one who has been in the habit of handling their own kind of paper, is the best that they can do. This results in drawing off some of the best bank officers and employees, in many cases, with the result that there is always a pressure to advance salaries in order to avoid losing very competent men.

It should also be added that there is, in almost every case where banks are in search of new employees, the possibility of filling a given position by drawing in a man of exceptional competence from some corporate enterprise. In this way, salaries tend to attain a certain degree of equalization as between banking and other occupations, and the tendency is possibly to raise salaries rather higher than they otherwise would go in some classes of banking institutions.

As for employees, their pay has been tolerably well standardized and it is possible to state with some degree of general accuracy both the average salaries per man in the different occupations, as well as the average cost of conducting operations in banks of different sizes.

The Measure of Expense

Banking is essentially an occupation in which "quantity production" or quantity volume of turnover or operations determines expense. The large or fairly considerable-sized bank is almost invariably able to reduce its cost of management decidedly below the unit cost that prevails in smaller institutions, no matter how ably managed the latter may be. This is because the large bank is able as a rule to get the advantage of heavy turnover. It is also due, however, to the fact that in the large bank, the best and most recent systems of doing work can be employed to advantage. So it is always unfair to compare very large banks and their cost of operation with anything very much smaller.

In order to get a fair judgment as to the operations of any given bank, it is necessary to compare it with the average of banks in somewhat the same group to which it belongs. This, however, is always a difficult kind of comparison and substantial margins of allowance should be made for it, otherwise judgment in any given case is likely to be somewhat vitiated. With these modifications, however, comparisons may be instituted and when so instituted should probably be based upon the volume of deposits carried. This is the most practical measure of expense notwithstanding the fact that deposits themselves vary so greatly in the costs which they entail to the bank as well as in the conditions under which they have been created. Accepting deposits, however, as the measure or basis upon which expense is to be computed, the question may be raised first of all: What is the usual outlay for fixed outlays in the well managed bank?

Cost of Fixed Outlays

By fixed outlays in this discussion will be meant simply fixed expenses over which the bank has only an indirect control and which include the cost of its premises, its losses due to unwise loans and of course such items as taxation, purchases of equipment or fixtures for carrying on the regular business of the bank and the like. A general judgment as to how much should be included under these items can be formed through figures obtained from a considerable number of banks.

Recent studies made with that end in view by compilers of banking statistics would appear to indicate for small and medium-sized banks a general fixed outlay running around $1.00 for every $100 of deposits carried or an aggregate of 1 per cent. Included in this is, as already explained, the rent item which in small or medium sized cities ordinarily should not exceed about three tenths of the total, or 30 cents out of each dollar covering the general group of expenses as just outlined. From this it will be concluded that a bank with $1,000,000 of deposits ought, if conservatively operated, to be able for 1 per cent of that figure or $10,000 to cover its general expenses, including ordinary losses, taxation, outfitting and rentals.

It should be added that these average

figures may be increased somewhat in proportion to a bank's capitalization. For example, a bank with $1,000,000 of deposits and $100,000 of capital and surplus has nearly reached the limit of safe growth, whereas a bank with $500,000 of capital and surplus and $1,000,000 of deposits has before it the possibility of safe expansion and is warranted in making considerably larger outlays for its place of business, its equipment and a variety of other factors for which it is able to pay out of the income obtained from the use of its own funds rather than from profit on its deposit business.

Of course, such a bank is deferring its dividend date correspondingly.

ORDINARY OUTLAY OF A SMALL BANK

(Per $100 of Deposits)

For rent....................	30 cents
General charges such as losses on loans, taxes, purchase of equipment, etc............	70 cents
Total ....$1.00 Or 1% of deposits.	
Current salaries, expenses, etc. (maximum) 3.00	
Grand total............$4.00 Or 4% of deposits.	

Salary Expense

The question of salary expense is one about which opinions differ widely, but the general experience of relatively small banks would appear to show that an outlay for current expenditure covering salaries, general operating costs and the like, should run not higher than $2 50 to $3 for each $100 of deposits carried. This would mean a maximum of $4 including both groups, or for a bank of $500,000 deposits the expense of operation including salaries and fixed expense would be, say, $20,000 per annum. For a bank of $5,000,000 deposits the expense would be $200,000. This would be high in most cities. That, of course, says nothing about the distribution of salaries.

As things stand in the United States today, there is an unusual amount of discrepancy; yet a fairly standardized condition of things exists below the grade of cashier. About $4,000 may be regarded as a normal figure for an assistant cashier, while higher sums running up to $6,000 are found in the case of assistant cashiers who are exceptionally efficient and shortly to be promoted.

Normal incomes for tellers may be regarded as running from $2,000 to $3,000, while in the clerical division the pay may be graded on the average as around $1,500 normal. At this point, it is worth observing that the general law of expense in the salary list is the reverse of that which was noted in the fixed expense section. In the latter, the different items of expense tended to fall more heavily on the small ones than the large ones, while in salaries the reverse is the case. The bookkeeper of the small bank, for example, does not need to be nearly as competent as the same functionary in a large bank, while somewhat the same is true of the tellers.

On the other hand, the same discrepancy does not altogether hold true in the case of some of the higher officials. It may be well to pay a very competent man handsomely to manage a small bank with but few assistants, instead of having an ornamental president at a nominal salary with the work divided up among a number of vice-presidents or cashiers who get substantial incomes.

Question of Development

What has been said thus far has been largely based upon the assumption that the bank is satisfied with what it is doing, or has reached about the limit of its growth, or is indisposed to do much to expand. This is not the case with the "live" bank and the question of course becomes acute in such an institution, how much it is warranted in spending to develop new business. There is a very sharp division of opinion among bankers at the present time upon this subject. Perhaps not more than 35 or 40% of the institutions of medium or large size having a distinct "new business department" and policy. All, of course, are at work in some way to enlarge their business, but there are many who believe that this is better done by the officers than by a department devoted to that purpose. In a general way the getting of new business is regarded as legitimately costing about 2%, or in other words, $2 for every $100 of new deposits retained and held. Such expenses, of course, differ a good deal, and about all that can be done is to give the result of general experience or observation. The question how to allocate the cost of new business is even more difficult, there being the widest difference of opinion as to the relative merits of advertising, solicitation, and other forms of attracting attention. Experience appears to show that an outlay for advertising running around 15 cents for every $100 of deposits is approximately the representative attitude on the subject, while the balance of expense may be allocated as $1.00 for salaries and the rest for other expenses.

Solicitation in the best form usually consists of personal interviews in which the solicitor finds out the position and needs of the "prospect" and tells him about what the bank is able to do for him. A serious evil in such solicitation has been found in the common practice of offering lines of credit which the credit department feels more or less obligated to feel as favorably as possible, even where it is not able to live up to the glowing representations of new business solicitors.

In fact, where a bank offers a normal or going rate of interest on deposits and holds out simply the same facilities as other institutions, the determining factor in shifting an account is frequently the question whether the prospect is satisfied or "happy" at the bank where he is already located, while if not so he may be disposed to shift to a new bank where his credit applications will get more favorable treatment.

Note: The above represents one of a series of practical articles of interest to bankers. In the last issue, we published an article on the Finance Companies, and such has been the widespread interest in this article that we have received a number of letters requesting other articles along similar lines. We have, therefore, arranged to publish a series of articles on the financing of automobile companies and other industrial enterprises. Articles dealing with detailed expense problems will also be presented. We would be very pleased to entertain other suggestions from our banking readers calculated to enhance the practical value of this department.—Editor.

Is Your Outlay Too High?

Recent studies . . . appear to indicate, for small and medium-sized banks, a general average outlay running around $3 to $4 for every $100 of deposits carried, or a maximum of four per cent.

How Decline of Foreign Currency Values Affects Banks

Significance of Reparations Conference Now Opening—How Dollar Has Superseded Weak Foreign Currencies—Great Loss of Business

THE tendency to shift international trade directly or indirectly to a dollar basis has been going on ever since the war, but of late, owing to the depreciation of foreign exchange, particularly the mark, this tendency has become more distinct than ever. The result has been to severely cripple the capacity of smaller American banks with regard to their ability to finance export trade requirements. Obviously, our export trade itself has not thrived under these conditions.

DURING the past three months, a radical change has come over the market for foreign currencies in the United States, so much so that an almost entirely new situation with relation to dealings in such currencies has been developed. Not for a great while has the volume of foreign bills drawn in such units as marks, francs, lire and other continental currencies been so small; or the trading that has taken place in these currency units of so primarily speculative a character. It has been partly undertaken for the purpose of distributing the risk of loss to a certain extent, but partly if not mainly for the purpose of simply taking advantage of any fluctuations in values that might present themselves.

Marks Outlawed

Probably the most striking result of this change in conditions has been that marks are now practically out of the current of prevailing trade, so far as dealings in the United States are concerned. Not only the extreme drop that has taken place in marks, but also the sensitiveness to wide fluctuation from which they have suffered has led most of the larger banks in New York to refuse to undertake commitments in this currency. A few firms with German connections have continued to deal in marks since the latter currency passed into a level of billions to the dollar, but their operations have been largely negligible so far as real money values were concerned.

This elimination of the mark has, of course, also implied the parallel elimination of all securities that were quoted in marks. The result has been practically to wipe out, so far as either borrowing or sale is concerned, a large volume of operations which had formerly played an important part in the general business of banks and stock exchange houses both in this country, England and France.

Status of Other Currencies

The decline in value has not, however, been limited to marks but has extended itself broadly though more moderately to other currencies whose value has tended downward, generally speaking, in recent weeks, as may be seen from the accompanying table of rates, showing twelve month changes for principal countries. From the comparative showing thus made, it appears that there has been an increasing uncertainty and irregularity as well as weakness which has made it very doubtful business for any investor or institution to accept any responsibility or commitment in such currencies as francs or lire. This has even been true in a certain measure of sterling and is today reflected in the fact that neither in francs, lire or sterling are the more conservative banks now willing to take on new business, insisting, on the contrary, upon either covering at once or not accepting the offerings at all. Thus the tendency to shift international business either directly or indirectly to an actual dollar basis has gone on steadily increasing within the past few months and particularly since the opening of July.

Dollars Used for Remittance

How extensively the dollar is used as a basis of remittance can be understood from the fact that transfers to Russia are at the present time almost entirely made in dollars and are effected by sending actual paper currency from this country to Russian points. There is one bank in New York which today makes a specialty of such transfers at rates of exchange varying from 6 to 12 per cent. The dollars are kept on hand in a Russian bank and are then sent by registered mail to the designated recipient upon receipt of advice from the New York bank either by mail or cable as the case may be. In any event, the transfer results in putting dollars into actual circulation in Russia. There is already a large circulation of them in Germany as well as in France and Italy, while the number actually on hand in those countries is very much greater than those that appear in circulation, because they are so extensively used

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FOREIGN EXCHANGE RATES

[Noon buying rates for cable transfers in New York as published by Treasury. In cents per unit of foreign currency.]

COUNTRIES INCLUDED IN COMPUTATION OF INDEX

	Monetary Unit	Par of Exchange	Average Oct., 1922	Average Sept., 1923	Average Aug., 1923	Index (% of Par) Oct., 1922	Index (% of Par) Sept., 1923	Index (% of Par) Aug., '23
Belgium	Franc	19.30	6.8580	4.9017	4.5492	35.53	25.40	23.57
Denmark	Krone	26.80	20.1908	18.1633	18.4612	75.34	67.77	68.89
France	Franc	19.30	7.3704	5.8550	5.6500	38.19	30.34	29.27
Great Britain	Pound	486.65	443.8484	454.2217	456.0338	91.20	93.34	93.71
Italy	Lira	19.30	4.1720	4.4375	4.3062	21.62	22.99	22.31
Netherlands	Florin	40.20	38.9624	39.3025	39.3446	96.92	97.77	97.87
Norway	Krone	26.80	17.8600	16.0758	16.2954	66.64	59.98	60.80
Spain	Peseta	19.30	15.2496	13.5783	13.6573	79.01	70.35	70.76
Sweden	Krona	26.80	26.6488	26.5496	26.6281	99.44	99.07	99.36
Switzerland	Franc	19.30	18.4208	17.8621	18.0538	95.44	92.55	93.54
Canada	Dollar	100.00	100.0807	97.6506	97.6666	100.08	97.65	97.67
Argentina	Peso (gold)	96.48	81.4140	74.8533	74.4581	84.38	77.58	77.17
Brazil	Milreis	32.44	11.3476	9.7317	9.7481	34.98	30.00	30.05
Chile	Peso (paper)	19.53	13.6068	12.3754	12.2115	69.67	63.37	62.53
China	Shanghai tael	66.85	74.8500	70.7850	69.7096	111.97	105.89	104.28
India	Rupee	48.66	28.8424	30.6017	30.4608	59.27	62.89	62.60
Japan	Yen	49.85	48.0732	48.6200	48.8765	96.44	97.53	98.05

The Banking Situation

The Peak of Demand Passed?—Reserve Banks Relax Strain—Recession in Money—The Outlook for the Future.

WHAT seems to be a peak in agricultural credit demand, or something quite close to it, has apparently been reached during the past two weeks with the result that reserve-bank portfolios appear to have passed the high point of demand and to be in position now to maintain themselves on something like their present level for some time to come. The member bank returns, on the other hand, after showing seasonal increases during September, have apparently begun to feel some of the effects of slackening in business which have enabled a good many institutions to get along without further reliance upon the Reserve Banks. This is, in many ways, a very satisfactory condition, although it must be borne in mind that it is partly due to the extreme quiet in the stock market and to the fact that autumn business, although good, has on the whole shown a receding tendency. These facts have operated to release funds which could be used for agricultural lending, and thus the acute peak of demand, which often comes at about this time in the autumn, has been avoided.

Question of Rediscounting

A month ago, it seemed as if rediscounting among the Federal Reserve districts might be unavoidable, on behalf of at least one, or perhaps two, of the Reserve Banks. It now seems likely that such rediscounting as may occur will be small in amount, and that the various districts will maintain themselves upon substantially a self-supporting basis. In

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BANKING INDICATORS

Discount Rate at Federal Reserve Banks 4½%

Commercial Paper in New York Market November 3.................. 5 @ 5¼

Reserve Percentage Fed. Reserve System October 31 .... 76.3

Reserve Notes Outstanding November 1st $2,224,865,000

Bank Rediscounts (with F. R. Banks) October 24................ $560,539,000

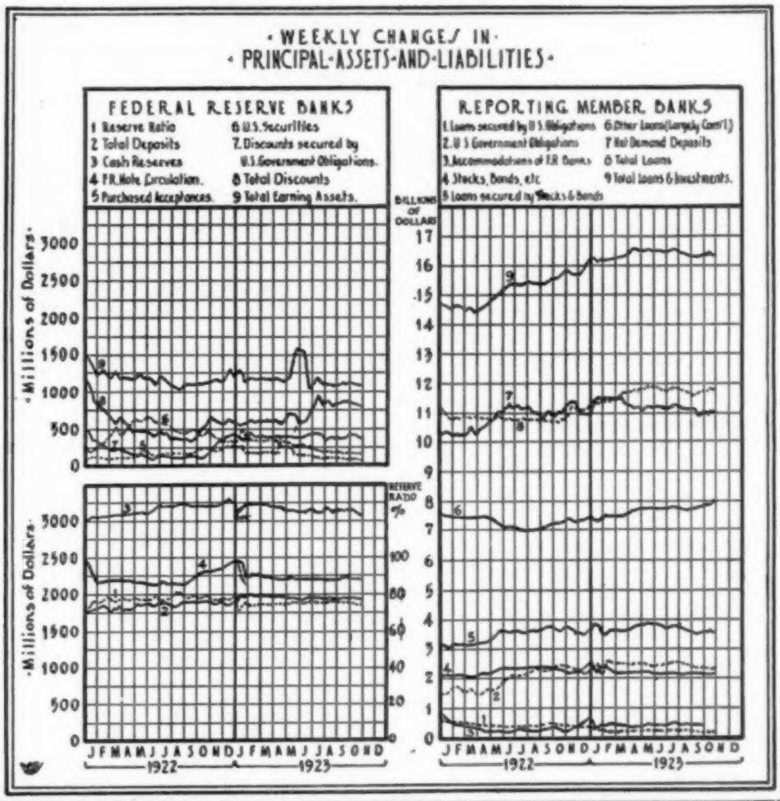
Sterling Exchange Index Federal Reserve Board October.................... 93.0

Net Gold Imports, Sept. $26,941,264

Commercial Paper Rate London (bankers three months bills) Nov. 5.... 3⅜-3⁷/₁₆

Wholesale Price Index (London Economist) Nov. 3 (for end Oct.)..... 196.4

Reserve Percentage Bank of England, Nov. 1 .... 18.90



FEDERAL RESERVE BANKS

(In millions of dollars.)

Date	Cash reserves	Bills discounted, total	Government securities	Total deposits	Federal reserve notes in actual circulation	Reserve ratio
Aug. 22	3,201.3	780.6	84.8	1,881.9	2,225.1	77.9
Aug. 29	3,201.2	815.5	83.5	1,907.6	2,224.8	77.5
Sept. 5	3,178.3	850.1	96.8	1,902.4	2,257.2	76.4
Sept. 12	3,187.7	841.4	99.9	1,936.5	2,262.5	75.9
Sept. 19	3,199.8	774.2	92.6	1,888.8	2,254.8	77.2
Sept. 26	3,192.7	862.0	91.9	1,930.1	2,247.8	76.4
Oct. 3	3,188.0	881.7	95.1	1,936.2	2,272.3	75.8
Oct. 10	3,193.9	869.0	91.9	1,905.8	2,288.6	76.1
Oct. 17	3,198.0	854.5	94.0	1,975.3	2,272.4	75.3
Oct. 24	3,209.1	836.2	88.2	1,923.5	2,255.4	76.8

REPORTING MEMBER BANKS

(In millions of dollars.)

Date	Number of reporting banks	Loans and discounts	Investments	Rediscounts and bills payable with Federal reserve banks	Net demand deposits
Aug. 22	769	11,677	4,535	489	10,990
Aug. 29	769	11,708	4,537	521	10,880
Sept. 5	769	11,771	4,514	557	10,963
Sept. 12	770	11,840	4,508	557	11,084
Sept. 19	770	11,892	4,564	490	11,020
Sept. 26	770	11,877	4,545	573	10,891
Oct. 3	770	11,984	4,522	598	11,045
Oct. 10	770	11,956	4,520	590	11,060
Oct. 17	770	11,961	4,512	582	11,186

ANSWERS TO INQUIRIES

Industrial Inquiries

GOOD INVESTMENT OPPORTUNITIES NOW OFFERED BY SOUND BONDS

Easier Tendency of Money Rates Likely to Result in Moderate Advance in Better Grade Issues

I have a considerable amount of cash on hand for investment. Do you consider that good bonds will hold up in price? If so please mention a few in which my funds could be placed without much danger of depreciation in value.—H. A., Scranton, Pa

The outlook is for easier conditions in the money market. This should have a strengthening effect on the better grade bonds and we believe that there are good investment opportunities in this class of security at the present time. The following issues would be suitable for your surplus funds:

	Maturity	Price	Yield
Armour & Co., real estate, 4½s	1939	84	6.1%
Kansas City Southern, refund. & imp., 5s	1950	85	6.15%
Computing-Tabulating-Recording, 6s	1941	99	6.10%
Philadelphia Co., 6s	1944	100	6.00%
Pacific Gas & Electric, gen. & refund, 5s	1942	89	6.00%
Chesapeake & Ohio, conv., 5s	1946	88	6.00%
Great Northern, general, 7s	1936	107	6.20%
Union Bag & Paper, 6s	1942	97	6.25%

The average yield of the above eight issues is 6.1%.

CHINO COPPER

High Costs Cut Profits

What is your advice to a holder of Chino Copper purchased at nearly twice the present market price of 15. I naturally dislike to sell out now and take such a large loss but if the stock has not much chance of recovering I would rather switch into some dividend-paying security and at least get a return on my money.—G. H., Harrisburg, Pa.

The trouble with a company like Chino appears to be more fundamental than temporary. The big South American producers of copper, because of low costs, can operate at a good profit even with the metal selling at present low levels of 12½ cents. This naturally tends to keep the price of the metal at a lower average price than prevailed before they became an important factor. Chino unfortunately is not a low-cost producer. For the first quarter of this year cost a pound of refined copper was 12.50 cents and in the second rose to 13.95 cents. With copper at prevailing levels, therefore, Chino is not in a position to make any money. We consider it advisable to switch into the stock of a copper company that is a low-cost producer and can make money and pay dividends under present conditions. A suggestion is Chile Copper paying $2.50 a share. It is estimated that Chile can earn this dividend with the prices of copper as low as 12 cents.

PIERCE-ARROW

Common Unattractive

Can you tell me what is the matter with Pierce Arrow? Other automobile companies have had a fine year but a holder of Pierce Arrow common stock doesn't appear to be in line to benefit from the prosperity of the industry. Do you consider the stock worth while holding?—R. G., Jersey City, N. J.

The main trouble with Pierce-Arrow apparently is excessive overhead, a result of the plant expansion indulged in during the war when the company had capacity orders for trucks. The demand for the company's trucks since the war has been of relatively small proportions resulting in unsatisfactory earnings. While there has been some improvement in earnings this year it has not been of sufficient proportions to warrant much optimism in regard to the future for common or even preferred stockholders. For the 9 months ended September 30, after allowing for dividends on the prior preferred stock, there was a balance equal to $2.14 a share on the $10 million 8% preferred stock. Back dividends on the preferred stock now amount to 18%. This makes a rather depressing picture for common stockholders, and, in our opinion, you would do well to switch into Willys-Overland common selling at about the same price. Willys-Overland for the first six months this year earned $3.30 a share on the common stock, and production has been maintained at a high rate up to the present time.

STUDEBAKER

Earning $30 a Share

How are Studebaker earnings and what do you think of this stock?—C. S., New Orleans, La.

Studebaker for the full year 1923 is expected to show around $30 a share earned on the stock or three times the present dividend rate. This company is in very strong financial condition and can well afford to go through a period of somewhat reduced operations should this be necessary. We consider the stock at present levels to be attractive for the long pull.

ELECTRIC STORAGE BATTERY

Good Long-Pull Holding

Will be pleased to have your opinion of Electric Storage Battery.—W. S., Philadelphia, Pa.

Electric Storage Battery stock, in our opinion, is an attractive long-pull holding. This company is in an unusually strong financial condition, and earnings have been well in excess of its dividend requirements. This company is very strongly entrenched in its field, the manufacture and sale of electric storage batteries, and we see no reason why it should not continue to do well. In the past the company has demonstrated its ability to show an excellent earning power even when general business conditions were unfavorable.

CENTRAL LEATHER

Large Deficit Reported

Is it advisable to hold Central Leather common for a recovery in price or switch to something else?—F. G. L., Cumberland, Md.

Central Leather for the quarter ended September 30th, reported a deficit of $3.8 million. This deficit has now brought the profit and loss deficit up to $7 million. No dividends are being paid on the preferred stock, and, as back dividends are mounting up, the common is getting further away from possibility of dividends in the future. We do not consider it attractive even at present levels. Suggest a switch into Brooklyn-Manhattan Transit, selling around 9½. This is the reorganized B. R. T. System, and earnings

for the past two years have been at the rate of about $3 a share after deducting fixed charges and preferred dividend as now constituted.

SPICER MANUFACTURING

Earnings Satisfactory

I am hung up with Spicer Manufacturing common stock at 22. How is the company doing and is there any chance for dividends? —S. T., Albany, N. Y.

Spicer Manufacturing common stock has been a disappointment in the market, but the company has done quite well this year as regards earnings. In the first six months it earned $2.50 a share on the common stock which is a very fair earning power for a stock selling at 14. The company is in good financial condition and is using its earnings to retire funded indebtedness. No dividends on the stock are anticipated this year, but if the automobile industry remains on a prosperous basis, there would be a chance of dividend payments next year. At the moment there is a good deal of pessimistic talk about the automobile industry, but so far it has not been borne out by reports from the trade which show that the activity is holding up as wel. as can be expected at this time of the year. It rather looks as though this stock may be slow, but we feel that ultimately it will do better.

BORDEN CO.

Earnings at High Rate

I have held 25 shares of Borden Co. stock for some years and can sell out at present price of 118 at a good profit. As the stock is only paying 8% I am considering taking this profit and buying some other good stock that would give a higher return. Would you advise doing this and if so what stock would you favor?—G. N., Hartford, Conn.

Borden Co. has demonstrated an excellent earning power for a long period of years, and is now earning its 8% dividend nearly three times over. In 1922, $22 a share was earned on the common. By pursuing a conservative dividend policy this company has placed itself in a very sound financial condition. The last balance sheet published, as of De-

(*Continued on page* 68)

the oil industry as large quantities have to be stored and production curtailed. Everything depends on how quickly the present over-production is remedied. The recent bringing in of additional production in the Powell Field has been an unfavorable development and over-production may last longer than many people anticipate. The stock is in a speculative position and we do not advise the purchase at this time.

WHITE EAGLE OIL

In Relatively Strong Position

Some time ago I read an article in the "Magazine of Wall Street" which spoke favorably of White Eagle Oil. I bought 100 shares at 28 as a result. Later I wrote in to the Inquiry Department in regard to the stock and was advised to sell in view of the unfavorable conditions in the oil industry. I also followed this advice although I took a loss. The stock is now several points below my selling price and I want your opinion as to the advisability of buying it back at this time.—Would Cosden be a safer buy?—F. K. M., Flint, Mich.

We still consider White Eagle Oil to be one of the soundest of the smaller oil organizations. It has a distributing system of its own and we believe that the company has a good future. Of course, you understand the reason for the decline in the stock was due to the fact that conditions in the oil industry have been demoralized by the big production in California. Going through the list you will find most oil stocks, even those of a conservative rating, have declined relatively more than White Eagle Oil. It is our opinion that White Eagle Oil is a safer propostion than Cosden & Company, for Cosden's bank loans recently stood at $7½ millions and are probably higher at the present time. If the present conditions in the oil industry should last longer, it is quite probable that Cosden will have to do some financing, and this may not be a favorable development for stockholders. White Eagle Oil, on the other hand, through its own distributing system has been able to avoid piling up very large inventories. However, it is our opinion, that other stocks are in a better position for an early advance in price and suggest Erie 1st or 2nd preferred.

TRANSCONTINENTAL OIL

Weak Financial Condition

Would you advise purchasing Transcontinental Oil at present price of 2, as a speculation? It appears to me that at this price I would have a good chance of doubling my money.—V. G., Troy, N. Y.

We do not consider it advisable for you to purchase Transcontinental Oil stock even at these low prices. This company is in very poor financial position with many bank loans, and in view of the present demoralized condition of the oil industry, we do not see how it will be able to get by without additional financing. As it already has a funded debt, to raise new money the company will probably have to call on the stockholders. In our opinion the stock is unattractive.

Inquiries on Oil Securities

FOUR STRONG OIL COMPANIES

With Long-Pull Possibilities

Now that oil stocks have had such a big drop in price I have about made up my mind to place half of my available funds in the stocks of the soundest companies. The stocks I have considered are Texas Co., Standard Oil of Indiana, Standard Oil of California, and Pan-American Petroleum. What do you think of the selections and the advisability of buying now?—H. E., Newark, N. J.

In Standard Oil of Indiana, Standard Oil of California, Texas Company and Pan-American Petroleum you have selected four of the most attractive oil stocks, and we consider all four to have good long-pull possibilities.

Pan-American must be considered the most speculative of the four, but we feel that a hopeful view of the future is warranted as this company has obtained very valuable concessions in California, which ultimately should largely increase earnings. At the moment, however, it is getting less money for its products and it is a question whether the present high dividend rate of $8 can be maintained. A reduction in this rate, however, is probably already fully discounted at present prices.

Texas Company Standard of California and Standard of New Jersey earnings are reduced at the present time, but when conditions improve in the oil industry they will be in a position to make large profits from oil now being stored at low prices.

MEXICAN SEABOARD

Outlook Improved

When Mexican Seaboard was paying 50 cents a month in dividends and producing over 100,000 barrels a day I bought 50 shares of the stock at 40 and still have it. Do you think the stock will gradually go to nothing or has the company a chance of coming back? I have recently heard that they are doing better. Is there anything in this? —J. J., Rochester, N. Y.

Mexican Seaboard appears to have a fair chance of "coming back." It is in good financial condition with a working capital of around 4½ millions and has an efficient drilling organization. Considerable success has been met recently with bringing in producing wells, particularly in the Cacalilao district. These wells have apparently proved a large acreage owned by Mexican Seaboard to be oil producing. This acreage was formerly classed as wildcat territory. Several of these wells have been capped but it is understood that the company is now capable of producing in excess of 50,000 barrels of oil a day. While the stock is speculative we consider it to have improved possibilities at these levels and we advise that you retain your shares.

SKELLY OIL

An Uncertain Speculation

Do you consider Skelly Oil a good purchase now?—A. L., Danville, Ill.

Skelly Oil at present levels has probably discounted a good deal of the unfavorable factors in the situation, but even at these prices it must be regarded as decidedly speculative. The company is not in over-strong financial condition and the present situation places a very heavy strain on the finances of any company in

·SERVICE·SECTION·

MIDDLE STATES OIL

Purchase Not Advised

I am holding 100 shares of Middle States Oil at 12. Now that it is down to 5 would you advise purchasing more in order to bring down my average price and give me a better chance to get out without taking a loss?—H. B. C., Titusville, Pa.

We do not advise you to purchase any additional shares of Middle States Oil and you would probably improve your position by selling out what you hold now and purchasing some other stock with better immediate prospects such as Willys Overland common. We understand that Middle States recently sold one of its best producing properties in order to raise additional cash. Under present demoralized conditions in the oil industry, relatively weak companies such as this are in a very unfavorable position, and it is questionable how Middle States will fare ultimately. The increased production in the Powell Field in Texas has been an unfavorable development recently and may mean that it will be some time before there is material improvement in the oil situation.

New Security Offerings

KNOX HAT COMPANY 6½s

A Good Bond

Please advise me if you would consider the Knox Hat Company 6½s bonds a good investment. I have $2,000 I would like to put in a good bond, one that I would not have to worry about, and my attention has been called to this one.—A. J. Y., New York City.

There are outstanding $1,000,000 of the Knox Hat Company first mortgage 6½s, maturing November 1, 1938, which are secured by a first mortgage, on plants, real estate, buildings and equipment, subject to a prior lien of $52,000 on one of the Dunlap & Co. plants, appraised at a value of $1,300,000. The business was originally established in 1838, and is well established throughout the country. The balance sheet of the company, after giving effect to the bond issue, showed working capital of 1½ times the amount of the bonds, and net tangible assets of three times the issue. The earnings record of the business is also good, the last five year average after depreciation, but before taxes and inventory adjustment in 1921, which was not a normal business year, being four times interest on these bonds. Earnings for the first nine months of the current year are reported as being in excess of six times interest requirements. We consider the bonds, returning 6¾% at the offered price, a good investment.

INTERNATIONAL MATCH COMPANY 6½s

A Foreign Issue

A bond salesman is trying to sell me the new bonds of the International Match Company. He says they are a good investment and I cannot go wrong in buying them, but I do not like the International part of the proposition and it seems to me I would not be taking so much risk in buying securities of some company at home. What do you think of the bond and is it a safe investment in your opinion?—G. F. B., Ft. Wayne, Ind.

International Match Corporation is a Delaware concern, but it will own property abroad. This property consists of 42 match factories in European and other countries, and the Vulcan Match Company, the sales company for Swedish Match Company and its subsidiaries in this country. The bonds are not protected by mortgage, but are guaranteed as to principal, interest and sinking fund by the Swedish Match Company, which was founded in 1845, and two important subsidiaries. The net assets of the interested corporations are reported as being approximately 3.7 times the funded debt, and earnings for the last five years were more than four times interest requirements. We class these bonds as suitable for a business man's funds. There are also speculative possibilities in the conversion feature, but, of course, while the various constituent companies show a good earning record, the properties are located abroad and for this reason the bonds are probably better suited for investors of large means.

PHILADELPHIA ELECTRIC COMPANY 5½s

A Well-Secured Issue

Are the Philadelphia Electric Company 5½s, selling at 98½ high grade and would you recommend them for investment by one who cannot take any risk with his money? I notice they are called a first lien and refunding bond. I want a first mortgage so I will be sure if there is any trouble, I will have a first claim. Is this or is it not a first mortgage?—G. K. J., Johnstown, Pa.

The Philadelphia Electric Company first lien and refunding mortgage gold 5½s, Series due 1953, of which $29,806,300 are outstanding, due November 1, 1953, are secured by a general mortgage on the property of the company, which does the entire light and power business in Philadelphia and important adjacent districts, including the city of Chester. They are also secured by pledge of $18,750,000 Philadelphia Electric Company first mortgage sinking fund 5% gold bonds, due 1966, $15,000 first mortgage demand bonds and the capital stock (except director's shares) of its subsidiary, Delaware County Electric Company, which is the operating company outside of Philadelphia. Earnings are over three times interest requirements. The bonds are well secured and are entitled to a high-grade rating.

MACCAR TRUCK COMPANY 6½s

Marketability a Factor

Do you recommend buying the 6½% bonds of the Maccar Truck Company at par? Are they a good investment? If not, what other good bond would you suggest I buy? I am a new investor in bonds and stocks and I would like the opinion of someone who knows about such matters.—K. D. E., Reading, Pa.

The Maccar Truck Company first mortgage 6½% bonds are offered at 100. There are only $250,000 of the bonds outstanding, and the issue is a first closed mortgage on the company's plant at Scranton, Pa., which has been appraised at a valuation of over $1,000,000. Earnings record of the company is also good, as net for the last five years has averaged over six times interest requirements. However, we have not seen a balance sheet of the company, and while the reported earnings and value of plant seem satisfactory, this information should also be furnished investors. Again, this is a small issue of a small company, and it may not have a satifsactory market if you find it necessary to sell the bonds. It is our opinion the South Porto Rico Sugar first lien and collateral 7s, selling at par, would be better suited for the purpose of a small investor. This bond is listed on the New York Stock Exchange and has a ready market. The company is a strong one in the industry, with an average earning power during the last five years of five times interest requirements. The issue is also well protected so far as asset security is concerned.

PORTLAND RAILWAY LIGHT & POWER 6s

Entitled to Good Rating

Do you recommend the Portland Railway Light & Power 6s at 92½? Are they a good investment? I can take some risk, but want a good bond.—G. J. S., Denver, Colo.

The Portland Railway Light & Power Company supplies electric light and power in Portland, Ore., and operates interurban and traction lines in Portland and adjacent territory. It also does the gas business in Salem, Ore. Earnings for the last four years have been about twice interest requirements and bonded debt is a little over 60% of the value of the property. The issue is entitled to a good rating.

TRADE TENDENCIES

Production Slackens in Basic Lines

Prices Slightly Lower — Trend Toward Increase of Unemployment—Uncertain Outlook

The salient feature of business today is that expectations of the usual autumn boom have not fully materialized. Production in basic lines is slackening, particularly in iron, leather, textiles and tires. Farm-product prices are relatively high, but farmers must liquidate their debts of the past three years and will not be able to enter the market on the scale which they would ordinarily do under existing prosperous conditions. The price level is slightly lower than that of several weeks ago and will probably decline further. As a result of suspended and declining manufacturing activities, there is a growing tendency toward unemployment in some directions. Retail trade, on the other hand, is good. Generally speaking, the outlook for business is that the present declining tendency will continue into the winter months.

STEEL

Lower Production in Sight

THE general feeling in the steel trade is that while new orders have increased slightly during the past several weeks, they have only increased at a rate about sufficient to maintain present production schedules. These are considerably off from the high point of the year. For example, the U. S. Steel Corporation is operating at about 85-90% capacity and the independents at about 70%. On the latter basis, the independents cannot make large profits but the Steel Corporation should be able to do slightly better than cover its full dividend charges for the quarter.

A decrease in new orders is expected within the next few weeks and the result will be a gradual decline in production with the profit margin steadily narrowing. Prices of steel products will undoubtedly feel the effects of the declining production. Generally speaking, therefore, the outlook for the steel industry is rather poor at least for the next few months.

The iron trade is in a particularly poor position with over-production as a result of the abnormally high rate of operations during the earlier part of the year. As a result, prices of pig iron are now at about the lowest point in the past two years. A number of merchant pig iron producers have blown out their blast furnaces rather than incur further losses on the present basis.

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1923 High	1923 Low	1923 Last*
Steel (1)	$46.25	$36.00	$41.25
Pig Iron (2)	31.50	22.50	22.50
Copper (3)	0.17½	0.12⅜	0.12⅜
Petroleum (4)	4.10	2.75	2.75
Coal (5)	4.25	2.02½	1.88
Cotton (6)	0.31	0.22	0.30
Wheat (7)	1.38	0.97	1.00
Corn (8)	1.03	0.68	1.01
Hogs (9)	0.08½	0.07¼	0.08¼
Steers (10)	0.10¾	0.08¾	0.10¼
Coffee (11)	0.13	0.10½	0.11¼
Rubber (12)	0.37	0.25	0.28¼
Wool (13)	0.58	0.54	0.54
Tobacco (14)	0.24	0.18	0.24
Sugar (15)	0.08½	0.05½	0.07¼
Sugar (16)	0.10½	0.07	0.09⅛
Paper (17)	0.04⅛	0.03¾	0.04

* Nov. 1.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubes 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

EQUIPMENT

Railroad Equipment Manufacturers Face Slim Season

Though there have been a number of inquiries from the carriers for such equipment as locomotives, rails, cars, etc., the actual amount of business placed has been small as compared with that placed during the end of 1922 and the beginning of this year.

The locomotive manufacturers, however, have a sufficient amount of business on their books to ensure operations at the present high rate of operations for the balance of the year, so that the broad-range outlook for this industry will not be reflected in this year's net returns.

Electrical equipment manufacturers are still enjoying a good season but will probably be affected to some degree by the gradual disappearance of boom times.

Other manufacturers of equipment, such as harvesting and farm machinery, tools, etc., are facing a period of irregularly declining profits, but the manufacture of farm machinery may find business improved toward Spring in view of the better position of the farming elements.

METALS

Copper at Low Point of the Year

Copper metal sold last week at 12⅜ cents per pound which is the lowest price recorded since 1921. Previously this year the metal had sold as high as 17 cents per pound. On the latter basis, many companies, even those normally considered high-cost producers, were able to show profitable returns. On 12 cent copper,

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SCHOOL FOR TRADERS AND INVESTORS

(*Continued from page* 46)

tion, then reverse, and then resume their original tendency. The *intermediate* swings are made up of many of these *small* swings, and the main swing of the three-year cycle is composed of many of the intermediate swings. The whole theory may be compared to the *works* of a *watch* in which the *three* to *five* day movements correspond to the second hand; the *intermediate* movements to the *minute* hand, and the long swing to the hour hand. These stock market movements are just about as dependent upon each other as the hour hand is dependent on the second hand and the minute hand. If a person, otherwise well informed, had never before seen a watch, he might be confused at the three different hands going around at different speeds; but a watch is simple enough after you understand its workings. So is the stock market.

The thing that is not simple about the stock market, however, is the interpretation of what all these things mean. If you pick up the tape from a stock ticker for the first time, you will observe a lot of hieroglyphics that are about as intelligible as the inscriptions on King Tut's tomb.

On the ticker tape you see a whole lot of abbreviations representing different stocks; you see their prices jumping around. You say to yourself, "How the deuce can anybody make anything out of that?" but if you study it long enough you find that just like the stuff they are pulling out of the Egyptian Pharaoh's tomb, it is a certain form of *history;* for every impression made thereon is a record of a transaction between two brokers representing *clients* or *groups* of clients who may be scattered over various parts of this country or the world. These clients, through their brokers who are their legal representatives in these transactions, have come together at a common meeting place established for that purpose, known as the floor of the New York Stock Exchange, and these two individuals or interests *there find* an *immediate market* for what they wish to buy or desire to sell. As a *result* of their getting together, their brokers consummate a transaction which, let us say, consists of the purchase and sale of 100 shares of U. S. Steel at $90 a share. Now, that transaction is not so important itself. It may be *very* important to the individuals concerned, but it is a minute part of the day's trading, which may amount to half a million or a million and a half shares, which means just twice that amount actually, because for each buyer there is a seller. Each trade by itself is but little more important than a grain of sand on the seashore, but *every* transaction is *really* important in its relation to what has gone before and what follows. If the *previous* trade in Steel, for example, was at 90⅛, and this transaction of which we are speaking, takes place at 90, the mere fluctuation of ⅛ in the price is so trifling as to be almost disregarded by most people; but in that fluctuation of ⅛ of a dollar, or 12½ cents per share, there is a *very important law* at work. This is the law of *supply and demand.*

A simple interpretation of what has occurred would be this: While the demand for Steel at 90⅛ was sufficient to absorb the *previous* lot of stock that was sold at that fraction, the demand has *lessened* to the extent of ⅛; that is, there are *no other buyers* who are willing to *pay* 90⅛, and *therefore* the seller has to dispose of *his* hundred shares at 90. This means that *supply* at the moment predominated over *demand* sufficiently to produce a decline of ⅛ of a dollar per share in *that* stock at *that particular moment,* and in describing this phenomenon, as a scientific man might call it, I have explained the *true principle* of all stock market movements.

When I first came into Wall Street, thirty-five years ago, I did not see any *evidence* of the fact that *this principle* was generally understood. It was not printed in any books; no one ever discussed it; no one seemed to hold that theory. It took me twenty years to discover and apply this principle. And for the past fifteen years I have been applying it successfully to all kinds of stock market movements. It is the *only* principle that I have found workable in a *bull* market or a *bear* market, or a so-called *trader's* market that wiggles back and forth over a narrow range. The law operates whether the world is at peace or at war, or whether there is a boom or a panic.

In other words, while *you may hold the opinion* that the stock market fluctuates in response to what appears in the newspapers, or as a result of so-called *fundamental conditions,* or because this or that *manipulator* is working on the bull or the bear side, the *real fact* is that this law of *supply and demand* is at work in the stock market just as it is in the grain market, the cotton market, or any other kind of market in which numerous buyers and sellers get together and make transactions at a common meeting place.

"THEY WON'T GET ANY MORE OUT OF ME!"

(*Continued from page* 41)

ly"—I wouldn't have had to throw away the savings of months in order to learn my lesson; but, as I've said before, I never received any such instruction, so experience had to be my only teacher.

I Learn About B. & L.

It was shortly afterwards that I was introduced to the Building & Loan idea. It interested me. I came to know that the B. & L. Association in our town had been in successful operation for many years. The term of service interested me. I procured all the facts and figures concerning B. & L. that were available, and they interested me. When, as I finally did do, I learned that a B. & L., well managed and carefully governed, was as safe as a Savings Bank and that it paid 5-6% on savings, as against the savings bank's 3%, I was "sold." I began to save by this, to me, new method, at the rate of $10 per month.

It was after I had completed my first year in the B. & L. that a close relative came to me with a new and glowing stock proposition. It semed that some gas company he knew of had drilled a gas well which had been so phenomenally successful that investors were receiving $9 *per month* on every $100 invested in the form of dividends! In less than a year's time the stockholders would have their principal all back, and all further dividends would be so much velvet! Now (my relative told me) this same company was about to form another, second company; this second company was about to drill a new well; the new well was "bound" to be as big a success as the first. The stockholders in the original company weren't letting the chance slip by to make another killing; why (my relative asked me) shouldn't I go in too?

Three years earlier, I would have handed over my entire bankroll without a moment's hesitation. But, fortunately for me, this was not three years earlier. I limited my gamble (which I went into only as a gamble) to $100.

There was the usual sad ending. The second company's money was squandered in drilling the hole. The hole proved as hollow as holes generally are. The money was lost.

That was my last venture in get-rich-quick promotions. It was my last appearance on the active sucker list. **"Anyone with something good to offer doesn't have to peddle it around to strangers!" I concluded;** and, from that time on, anyone who tried to peddle off something on me was met with a point-blank refusal.

I kept on with my B. & L. In fact, it has ever since been the backbone of my investment operations. I took up the study of security analysis; I confined all security purchases, from then on, to those listed on the New York Stock Exchange.

The results have convinced me, and they have led me to the following conclusions:

With unlisted securities of companies I can learn little or nothing about, I am through. With companies that have not had good dividend records—long records of successful operation—I am through. With schemes requiring the placing of all my capital into a single enterprise—instead of spreading it around and thus distributing the risk—I am through. With persons—relatives, friends or acquaintances—who know how to make me rich over-night, I am through.

I have learned that there are two kinds of people after my money. One kind is after it merely that they may have the use of it, in legitimate, sound enterprises, which they themselves are backing; this class will do its best to pay me for the use of my money, and deserves my confidence. The other kind is after my money either to get away with it entirely, or else in order to further wildcat schemes of their own whose success is as doubtful as next summer's weather.

The "other kind" isn't going to get any more out of me!

WITH THE EDITORS

(Continued from page 5)

says one's position is incorrect. There has never been a 100% market operator and there never will be. The percentage of those who have devoted their life to the subject and have achieved even a moderate degree of success, is surprisingly small.

* * *

SEVERAL important lessons may be learned from the experience of Mr. Evans and the corporation president. One is, do not make your market commitments on tips, no matter from what source they come. Another is, base your investments on actual facts and conditions. Study the technical position of the market as a whole and also that of the individual security. Remember that the ebb and flow of security prices is but one of the manifestations of the law of demand and supply. A third is, that even a working knowledge of investment and speculation can only be obtained by great concentration and continuous study.

The average individual cannot divert from his own business the time and energy necessary to enable him to qualify as an investment expert. But the entire time and energies of the staff of THE MAGAZINE OF WALL STREET is devoted to the study of investment and its thousand-and-one ramifications. We do not claim to be 100% correct in our conclusions. But we do claim to far greater degree of accuracy in this respect than those who can give only a part of their time to the same subject. We also believe that $7.50 a year is exceedingly cheap investment-insurance.

* * *

WHEN the fact is realized that the same laws govern the security markets which govern the world of successful business or even successful sport, and that success in the first field is even more difficult to achieve than in the two latter, the sooner will the individual's surplus funds grow into a backlog of security and strength. And the rarer will become nerve-racking ventures in security gambling which can have but one final result.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-1922		1923		Last Sale	Div'd $ per
RAILS:	High	Low	High	Low	High	Low	High	Low	Oct. 31	Share
Atchison	125⅜	90¾	111¼	75	108½	91¾	105½	94	95½	6
Do. Pfd.	106⅝	96	102⅛	75	95½	72	90⅞	86⅞	88	5
Atlantic Coast Line	148½	102½	126	79⅞	124⅞	77	127	109⅞	111	7
Baltimore & Ohio	122¼	90⅜	96	88¼	60¼	27⅜	59¾	40½	57⅛	5
Do. Pfd.	96	77¼	80	48¼	66¼	38½	60⅞	55¼	57	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	160	139¾	145¾	10
Chesapeake & Ohio	92	51⅛	71	35⅜	79	46	76⅜	57	67½	4
Ches. & Ohio Pfd.	..	..	..	..	105⅜	100⅜	104⅞	96	‡98½	6½
C. M. & St. Paul	165⅜	96¾	107⅛	35	52¾	16½	26⅜	11¼	12¾	..
Do. Pfd.	181	130½	143	62½	76	29	45½	21	24	..
Chicago & Northwestern	198⅜	123	136⅞	85	105	59	88	58½	60¾	5
Chicago, R. I. & Pacific	..	..	45⅜	16	50	22⅜	37⅞	19⅛	20½	..
Do. 7% Pfd.	..	..	94¾	44	105	64	95	72	76	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	85	60⅞	65¾	6
Delaware & Hudson	200	147½	159½	87	141½	83¾	124½	93¼	107½	9
Delaware, Lack. & W.	240	192½	242	160	260½	93	130½	109⅞	112¾	6
Erie	61⅛	33½	59½	18¾	21¾	7	16⅜	10⅛	14½	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	11⅜	25½	15	23⅛	..
Do. 2nd Pfd.	39⅛	19½	45⅜	13⅛	23¾	7⅛	18½	10¾	17¾	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅜	60	80	50⅝	54	5
Illinois Central	162⅛	102¾	115	85¾	115¾	80⅞	117½	101⅞	102¾	7
Kansas City Southern	50⅛	21⅜	35⅛	13⅛	28⅞	13	24⅞	15⅝	17	..
Do. Pfd.	75½	56	65½	40	59½	40	57⅛	48⅝	‡50¼	4
Lehigh Valley	121⅛	62⅛	87⅛	50¾	72	39¾	71⅜	54	59½	3½
Louisville & Nashville	170	121	141⅞	103	144⅞	94	155	84¾	85	5
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¾	17	10	10¼	..
Do. Pfd.	78¼	46	60	6⅛	*48¾	*2	45½	24⅞	26	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11⅛	19⅜	8¼	8⅝	..
Do. Pfd.	..	..	64⅞	37½	63¾	23¼	49	22¼	23⅝	..
N. Y. Central	147¾	90⅜	114¼	62½	101⅛	64¼	104½	90½	100⅞	7
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23¾	79¾	67½	75	6
N. Y., N. H. & Hartford	174¼	65⅜	89	21½	40⅞	12	22½	9⅝	11¾	..
N. Y., Ont. & W.	55⅜	25⅛	35	17	30½	16	21⅜	14¼	14¾	..
Norfolk & Western	119¼	84¼	147¼	92⅜	125⅛	84⅛	117⅜	100	104	8
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	81½	49¾	52½	5
Pennsylvania	75⅜	53	61½	40¼	49¼	32¼	47⅜	41½	42	3
Pere Marquette	*36½	*15	38¾	9½	40¼	12¼	47¼	36	40½	..
Pitts. & W. Va.	..	..	40⅜	17¾	94	21¼	50⅝	33⅞	37⅛	..
Reading	89¾	59	115½	60⅛	108	60¾	81⅛	68½	74¾	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	56½	44	‡53	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33¼	56¾	45	52¾	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10⅛	27	16¾	17½	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	36⅜	25½	26¾	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	95¼	84¾	85⅞	..
Southern Ry	34	18	36¾	12½	33¼	17⅛	37¾	24¾	34¼	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	70⅞	63	66¾	5
Texas Pacific	40½	10¼	29½	6½	70½	14	29½	14	17½	..
Union Pacific	219	137¾	164¾	101¼	154¾	110	144⅞	124½	129½	10
Do. Pfd.	118½	79¾	86	69	80	61¼	76½	70½	70¾	4
Wabash	*27⅜	*2	17½	7	14⅜	6	11½	7½	9½	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	34⅛	23⅛	31⅝	..
Do. Pfd. B	..	..	32⅞	18	25½	12¾	22½	16½	‡20	..
Western Maryland	*56	*40	23	9¼	17¼	8⅛	15	8	8¾	..
Western Pacific	..	..	25½	11	40	13⅜	20¼	12	13¾	..
Do. Pfd.	..	..	64	35	73	51½	63¾	53	55	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	10⅝	6	6½	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	54	22	82	67	67¼	5
Allied Chem.	..	..	..	..	91¾	34	86	59⅛	64	4
Do. Pfd.	..	..	..	..	115½	83	112	105¼	106⅝	7
Allis-Chalmers	10	7⅛	49⅝	6	59¾	26⅛	51¼	37¾	40	7
Do. Pfd.	43	40	92	82½	104	67½	97½	89⅞	90	7
Am. Agr. Chem.	63⅜	33½	106	47¾	113¾	26½	36⅞	10⅛	10½	..
Do. Pfd.	105	90	103½	89⅜	103	51	68⅞	29	31⅞	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49½	25	‡30	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	60	22⅞	22½	..
Am. Can	47⅜	6⅞	68½	19¾	76½	21¾	106	73½	96⅝	5
Do. Pfd.	129¾	98	114½	80	113⅞	72	115	106	‡106	7
Am. Car & Fdy.	76½	36½	98	40	201	84⅛	189	148¼	159¾	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¾	125⅞	119¼	‡155	7
Am. Cotton Oil	79⅛	33½	64	21	67½	14⅜	20¾	3¾	5⅜	..
Do. Pfd.	107½	91	102¼	78	93	33½	38¾	14	18¼	..
Am. Express	300	94¾	140½	77½	175	76	143½	89	90¾	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	13¾	6⅛	7	..
Do. Pfd.	51⅞	15½	94⅞	10	142⅜	35	74⅜	29¾	37½	..
Am. Ice	..	..	49	8⅞	122	37	111½	78	83⅞	7
Am. International	..	..	62¼	12	132⅛	21⅛	33½	16	18⅞	..
Am. Linseed	20	6⅞	47¼	20	95	17⅛	38	13	15½	..
Am. Loco.	74¾	19	98¼	46⅜	136¾	58	75¼	64¾	71	6
Do. Pfd.	122	75	109	93	122¼	96½	122	115	‡117	..
Am. Safety Razor	..	..	..	..	22	3½	9⅛	4⅞	6¼	.50
Am. Ship & Com.	..	..	..	..	47½	4⅜	21⅜	10⅜	10½	..
Am. Smelt. & Ref.	105½	56⅜	123¾	50¼	89¾	29¾	69½	51⅛	54½	..
Do. Pfd.	116¾	98¼	118⅛	97	109⅜	63⅛	102⅜	93	96	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅞	33⅝	34½	3
Do. Pfd.	..	..	..	..	107	78	105¼	97⅞	‡99¾	7
Am. Sugar	136⅜	99⅞	126¾	89⅛	148⅜	47⅜	85	48	53¼	..
Do. Pfd.	133½	110	123½	106	119	67½	108¾	94	‡94	7
Am. Sumatra Tob.	..	..	145⅜	15	120½	23¼	36⅜	16	19⅝	..
Do. Pfd.	..	..	103	75	105	52¼	38	16	‡38	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	128⅛	92⅛	125½	119⅛	123⅝	9
Am. Tobacco	*530	200	256	123	314½	104⅛	161¾	140¼	149	12
Do. B	..	..	..	..	210	100⅛	159¾	140	146½	12
Am. Woolen	40⅜	15	60⅞	12	169½	55½	109⅝	65	69⅞	7
Do. Pfd.	107¾	74	102	72½	111⅛	88½	111⅞	96⅝	98½	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	53½	32⅜	34⅝	3
Associated Dry Goods	..	..	28	10	68¼	48	89	62¼	75	4
Do. 1st Pfd.	..	..	75	50⅛	86	49⅞	89	62½	‡80	
Do. 2nd Pfd.	..	..	49½	35	91½	38	93½	84	‡80	7
At. Gulf & W. I.	13	5	147¾	4½	192⅝	18	34	9¼	14⅜	..
Do. Pfd.	32	10	74⅜	9⅞	76½	15⅜	27	6¾	‡11	..
Baldwin Loco.	60¾	36½	154½	26⅝	156¼	62¼	144¼	110½	121⅜	7
Do. Pfd.	107½	100¼	114	90	118	92	116¾	110	‡113	..
Bethlehem Steel B	*51⅛	*18¾	155½	59¾	112	41½	70	41¾	49⅛	5
Do. 7% Pfd.	80	47	186	68	108	87	97½	87	88⅛	7
Do. 8% Pfd.	..	..	110½	92½	116⅜	90	111¼	100¼	...	8
Burns Bros. A	45	41	161½	50	147	76	144¾	100	104⅛	10
Do. B	..	..	..	..	53	48	43	21½	25	2

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Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1922 High	Low	1923 High	Low	Last Sale Oct. 31	Div'd $ per Share
Calif. Packing	..	..	50	30	87½	48¼	87	77	78¼	6
Calif. Petro.	72½	16	42⅛	8	71⅞	15¾	29⅜	17⅛	18½	1½
Calif. Petro. Pfd	95½	45	81	29½	98½	63	110½	90½	‡91½	7
Central Leather	51¾	16½	123	25⅞	116½	22¼	40½	11⅝	13	..
Do. Pfd.	111	60	117½	94⅞	114	57⅛	79¾	33	34⅝	..
Cerro de Pasco	..	..	55	25	67½	23	50½	36½	38⅞	4
Chandler Mot.	..	..	109⅞	56	141¼	38¼	76	43	48¼	6
Chile Copper	..	..	39¼	11¼	29¼	7¼	30⅜	24⅛	26⅛	2½
Chino Copper	50⅜	6	74	31⅜	50⅜	16⅜	31¼	14¼	15½	..
Coca Cola	..	..	..	..	82⅛	18	83⅜	65¼	70½	7
Colum. Gas & E.	..	..	54⅛	14¼	114⅞	39¼	37¼	30¼	32½	2.60
Columbia Graph.	..	..	*166	*97	75¼	1⅛	2⅞	⅛	⅛	..
Consol. Cigar	..	..	..	..	80	13½	39⅜	15	17½	..
Con. Gas	*165¼	*114½	*150½	*112½	*145¾	*71¾	69⅝	56⅛	62	5
Corn Prod.	26½	7⅜	50½	7	134¾	46	139¼	114⅜	127	8¼
Do. Pfd.	98½	61	113½	58⅛	122¾	96	122⅜	116	‡115¼	7
Crucible Steel	19⅝	6½	109⅞	12⅛	278½	49	84½	57½	61½	..
Cuba Cane Sugar	..	..	76⅛	24⅞	59⅜	5⅜	20	8½	11	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	37¼	23	28½	3
Endicott-Johnson	..	..	..	..	150	44	94¼	58⅞	62¼	5
Do. Pfd.	..	..	..	..	119	84	118	109	‡108	7
Famous Players	..	..	..	..	123	40	93	52	58½	8
Do. Pfd.	..	..	..	..	107⅛	66	99¼	82	83½	8
Freeport Tex.	..	..	70½	25¾	64⅛	9½	22	9½	11¼	..
Gen'l Asphalt	42⅞	15½	89¼	14¼	160	32½	54	23	27	..
Gen'l Electric	168½	129¾	187¼	118	190	109½	190⅛	167⅜	172⅞	8
Gen'l Motors	*51¼	*25	*850	*74½	42	8⅛	17½	12¾	13⅞	1.20
Do. 6% Pfd	..	..	99½	72¼	95	63	89	79	‡79	6
Do. 6% Deb	..	..	..	..	94¾	60	90	78¾	80	6
Do. 7% Deb	..	..	..	..	100	69	105	93¾	‡93¼	7
Goodrich	86½	15½	80¼	19⅜	93⅜	26¾	41⅛	17⅜	19¾	..
Do. Pfd.	109¾	73¼	116¾	79⅞	109½	62½	92½	67¾	72	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	36	22	29½	2
Houston Oil	25½	6¼	86	10	116½	40½	78	46	48½	..
Hudson Motors	..	..	..	..	26¾	19½	32¼	20	25	3
Hupp Motors	..	..	11¾	2½	26⅛	4⅜	29½	15¾	16¾	1
Inspiration	21⅜	13⅞	74¼	14¼	68⅞	28	43¾	23¼	24½	2
Inter. Mer. Marine	9	2⅛	50⅞	⅜	67¾	7⅛	11⅝	4⅞	‡5⅛	..
Do. Pfd.	27⅜	12½	125⅜	8	128½	86	47	18½	‡31⅛	3
Inter. Nickel	*227½	*135	57½	24½	33⅞	11⅛	16¼	10⅜	10¾	..
Inter. Paper	19¾	6½	75½	9½	91¾	30¼	58⅝	27⅞	29¾	..
Invincible Oil	..	..	..	..	47⅛	5½	19¼	7⅜	8¼	..
Kelly Springfield	..	..	85¼	30⅞	164	25½	62⅛	20½	24¾	..
Do. 8% Pfd	..	..	101	72	110¼	70¼	108	80	‡70	8
Kennecott	..	..	64⅛	25	43	14⅜	45	29⅜	31¼	3
Keystone Tire	..	..	46½	11	126¾	4¼	11⅛	1⅝	2	..
Lackawanna Steel	55⅛	28	107	26½	107¾	32	..	..	..	..
Lima Locomotive	..	..	..	..	65⅜	52	74⅞	58¼	65	4
Loews, Inc.	..	..	..	..	38⅜	10	21¼	14	17⅞	..
Loft, Inc.	..	..	..	..	28	7¼	11¾	6	6¼	..
Miami Copper	30¼	12¾	49⅜	16½	32¾	14⅛	30½	20½	21¼	2
Middle States Oil	..	..	..	..	71⅜	10	12¼	4¾	5	..
Midvale Steel	..	..	98½	89½	62¼	22	33⅜	21½	26⅛	..
Nat'l Lead	91	42½	74⅜	44	129½	63½	136¾	108	120½	8
N. Y. Air Brake	98	45	136	55⅞	145½	45⅛	41	26⅜	35½	4
N. Y. Dock	40¼	8	27	9¼	70¾	16¼	27	15¼	19⅝	..
North American	*87⅞	*60	*81	*38⅞	100¾	32¼	24¼	17½	21¼	2
Do. Pfd.	..	..	..	..	47¼	31⅞	48½	42½	43½	3
Pacific Oil	..	..	..	..	69⅜	27½	48⅞	41¼	38¼	2
Pan. Amer. Pet	..	..	70¾	35	140⅛	38⅛	93½	53	57¾	8
Do. B	..	..	..	..	111¾	34⅛	86	50½	53⅞	8
Philadelphia Co.	59¼	37	48⅞	21½	48	26½	50¼	41	42	4
Phillips Pet.	..	..	..	..	59¼	16	69⅝	19¾	22½	2
Pierce Arrow	..	..	65	25	90	9¼	15½	6⅛	8¼	..
Do. Pfd.	..	..	109	88	111	18⅞	35⅝	18½	19⅜	..
Pittsburgh Coal	*29¾	*10	58¾	37½	74⅜	45	67⅞	58	60	4
Pressed Steel Car	56	18½	88¼	17¼	113¾	43	81½	42½	52	..
Do. Pfd.	112	88½	109½	69	106	83	99¾	80	‡83	7
Punta Aleg. Sug	..	..	51	29	120	24¾	69¼	41⅞	51	1.25
Pure Oil	..	..	143⅞	31⅞	61⅞	21½	32	16¼	17¼	1½
Ry. Steel Spg.	54½	22¼	78½	19	126¼	67	123	99⅞	101⅞	8
Do. Pfd.	113⅜	90¼	105½	75	120	92½	121⅛	110¼	‡110	7
Ray Cons. Cop.	27½	7½	37	15	27½	10	17¼	9⅞	11⅝	..
Replogle Steel	..	..	..	..	93½	18	31¾	8	9	..
Republic I. & S.	49½	15¾	96	18	145	41⅛	66¾	40⅛	45¼	..
Do. Pfd.	111¾	64½	112⅜	72	106¾	74	96⅞	84¾	‡89	7
Royal Dutch N. Y.	..	..	86	86	123⅜	40½	55½	40½	47¾	3.46
Shell T. & T.	..	..	..	..	90¼	30⅞	41¼	29⅛	34	2.06
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16½	39⅜	16	19	2
Stand. Oil N. J.	*448	*322	*800	*355	*212	38⅜	44¼	30⅞	32¼	1
Do. Pfd.	..	..	..	..	120	100⅛	118¼	114¼	116⅝	7
Stromberg Carb.	..	..	45¼	21	118¾	22⅛	94¼	59½	64¾	7
Studebaker	49½	15¾	195	20	151	37¾	126⅛	93¾	100¼	10
Do. Pfd.	98⅛	64½	119½	70	118¼	76	116½	112	‡110	7
Tenn. Cop. & Chem.	..	..	21	11	17¼	6¼	12¾	8	8⅝	1
Texas Co.	144	74½	243	112	57⅜	29	52⅞	39¼	39½	3
Tex. Pac. C. & O.	..	..	..	..	195	15¾	24¾	6	6¼	..
Tobacco Prod.	145	100	82⅜	25	115	45	61¼	46¾	57	..
Transcontl. Oil	..	..	..	..	62⅜	5⅜	14½	1⅛	1⅞	..
United Fruit	208½	126½	173	105	224⅞	95¾	183	152½	173	8
Un. Retail Stores	..	..	..	..	119¼	43½	84⅛	64¼	‡64½	..
U. S. Ind. Alco	57¼	24	171½	15	167	35¼	73¼	40	53	..
U. S. Rubber	59½	27	80½	44	143¾	40½	64⅞	30⅝	34½	..
Do. Pfd.	123½	98	115¼	91	119½	74	105	76¾	83½	8
U. S. Smelt. & R.	59	30⅜	81½	20	78¼	26	43⅜	18⅜	19	..
U. S. Steel	94⅞	41¼	136⅜	38	115½	70¼	109⅝	85¼	91½	5¼
Do. Pfd.	131	102½	123	102	117½	104	123½	116⅛	118½	7
Utah Copper	67½	38	130	48½	97½	41⅛	76½	55½	59	4
Vanadium	..	..	..	..	97	25⅛	44⅝	24⅛	28⅜	..
Va.-Caro. Ch.	70⅛	22	60¼	15	92½	20⅛	27	6¼	7½	..
Do. Pfd.	129½	62	115⅜	80	115⅞	57¾	69	17	22	..
Western Union	36¼	56	105½	53⅜	121¼	76	119½	101⅛	106½	7
Westinghouse Mfg	45	24¾	74⅞	32	59⅜	38⅞	67⅛	52½	57½	4
White Motors	..	..	60	30	86	29¼	60⅞	45	48½	4
Willys Overland	*75	*50	*325	15	40¼	4½	8½	5	7	..
Wilson Co.	..	..	84¼	42	104⅞	27⅛	42¾	19	19⅛	..
Woolworth	177⅞	76⅛	151	81½	223	100	284	199½	275	8

* Old stock.
‡ Bid price given where no sales made.

ANSWERS TO INQUIRIES

(*Continued from page* 61)

cember 31, 1922, showed the company to be entirely free of bank loans for the first time since 1917. Cash on hand was $4.6 million. No immediate increase in the present dividend rate is anticipated but a continuation of present favorable earnings will obviously soon place the company in a position to adopt a more liberal policy. As far as can be judged at this time earnings should continue to hold up well. We consider the stock an attractive long-pull holding and believe it best for you to retain your shares.

NORFOLK & WESTERN
Earning 12% on Stock

As a stockholder in Norfolk & Western, I would appreciate having your expert opinion of this road. I am satisfied with the returns I have been getting from this investment but want to know what the outlook is and if I would do any better by switching into some other railroad stock.—H. K., Flint, Mich.

We consider Norfolk & Western stock a good long-pull holding. This road serves some of the largest soft coal fields in the country, approximately 80% of its tonnage being the products of mines. While its tonnage will vary with general business conditions, there is every reason to believe that the main trend will continue upward. In other words, an optimistic view of this road's future appears warranted. Norfolk & Western is in a strong financial position and its credit is high. It owns very valuable coal lands in the Pocahontas field. Earnings so far his year have been at about the same rate as in 1922 when 11% was earned on the stock. The present dividend rate of 7% has been maintained since 1915 and appears well secured. Extra dividends of 1% were paid in 1916, 1917 and 1920, and 1% extra has been declared this year. We see no reason why you should make any change in your commitment, as at present levels of 103 it gives a very liberal return for a security of this good standing.

U. S. RUBBER PREFERRED
In Speculative Position

Have 50 U. S. Rubber 1st preferred stock, bought at 105. What do you advise? I can afford to take a certain amount of risk and if you know of any stock in which I might recover this loss by a switch, will be glad to hear about it.—S. N., York, Pa.

United States Rubber preferred must be regarded in a speculative position. The company will earn the preferred dividend this year, and possibly it will be maintained. The uncertainty in the situation consists of the company's large bank loans which are close to $40 million. The stock may work out satisfactorily, but in our opinion, you would improve your position by switching at this time into Willys-Overland preferred, selling around 68. This is not paying anything just now, but the company will show about 60% earned on the stock this year; it is in good financial condition, and production has been maintained up to the present time at capacity. There are 21% back dividends due on this issue, and we believe that you would have a better chance of recovering your losses by making this switch.

CALUMET & HECLA
A Recent Consolidation

Now that Calumet & Hecla has consolidated with several other copper companies what do you think of the stock? How does it compare with other large copper companies? Have been considering switching into Kennecott, which I hear is a much lower cost producer.—D. M. N., Boston, Mass.

The new Calumet & Hecla Consolidated Copper Co. capitalization consists of 2,005,502 shares of stock of a par value of $25. This stock was exchanged for the outstanding stock of the Ahmeek, Allouez Mining, Calumet & Hecla Mining, Centennial Mining and the Osceola Consolidated Mining. Calumet & Hecla in the past has been classed as a low-cost producer, but mines in the Lake Superior district have not been able to keep their costs so well in hand in the past few years. Calumet & Hecla operating cost at the present time is around 10½ cents a pound which is materially higher than Kennecott's cost of producing copper. At present levels of 18, this stock is not without long-pull possibilities and appears well worth the price as net current assets alone are equal to $8 a share. However, because of its lower costs, we consider Kennecott a more attractive holding and believe a switch advisable. Chile Copper and Cerro de Pasco are also very low-cost producers.

ST. PAUL
Only Earning Fixed Charges

What would you do with 100 shares of Chicago, Milwaukee & St. Paul, bought at 35?—A. V., Paterson, N. J.

St. Paul has shown improvement in earnings this year, but even so it will not do much better than cover fixed charges. In view of the agitation for lower freight rates and increased competition from the Panama Canal, we do not consider the preferred stock to offer very attractive possibilities, and our advice is to switch into Butterick Co. selling around 17. Butterick Co. earned $3.53 a share on its stock in the first six months this year. It is in good financial condition, and another important factor in its favor is that it is not adversely affected by general business conditions, for when conditions are not so prosperous, more people make their own clothes and buy patterns which is the company's chief product.

FACTS ABOUT MUNICIPAL BONDS THAT YOU SHOULD KNOW

(*Continued from page* 26)

a slackening, so that this year will see offered about a billion dollars of funded debt, for municipals alone.

As for short-term borrowing, that shows a much stronger slackening. In 1916, there was borrowed about $300,000,000, by 1921 it had reached $760,000,000, but in 1922 it fell to $395,000,000, which is just what it should be with reference to normal.

The year 1923 has seen a slight tendency to increase, but not much of a tendency. The crisis in short-term borrowing inflation is thus past. Interest rates in 1922 for high-grade municipals touched 4.10% or almost normal but have since risen to about 4.40%. While this is negative, still it is far better than the 1920 yield situation. If we assume that commodities cost about 60% more than in 1914 and that population has increased 10%, the normal long-term borrowing for municipals should not aggregate more than $750,000,000 per annum, though this is a maximum, for in 1914 our municipalities were already caught in a wave of free borrowing.

The Investor's Attitude Toward Municipals

Now all of this gives the investor "furiously to think" as the French say. Municipals are usually a first-class commitment, and what now should be his attitude to them? The answer is that they are still as a class the very safest of investments, but that the investor must practice discrimination where formerly he could afford to let himself be almost careless in the purchase of municipals. The foregoing facts, while thought-provoking, are not alarmist, and they will not have been stated in vain if they bring about a more critical attitude in investors in municipal bonds, for it is the fact that most men are uncritical that has made the investor the easy target of the politician.

The constructive side is this. Do not purchase the obligations of any city perilously near its debt limit. For example Richmond, Virginia, has a legal debt limit of 18% of its realty valuation. Its present limit is $32,000,000. It has a total indebtedness of $31,593,000 or within 1½% of its debt limit. There would, it would be expected, be an absense of talk about new bonds. But, no, they speak of issuing more in 1925 to take care of needed improvements, and this will be accomplished by the simple process of jacking up the valuations on realty. Now even if this valuation will express the real value, would one not be ill-advised, not to remember that realty values today are at their very crest? Is it not certain that Richmond five or ten years hence will have an almost intolerable burden?

The eyes of optimism like the eyes of love, see no blemishes, but the investor may well transfer his allegiance to more careful cities. Detroit has had a carnival

of bond-issuing, and has just caught herself up in time, and turned down some new proposals. The New York Savings Bank Law requires that the bonds of any municipality, in order to be a legal investment for trustees and savings banks in New York, must not exceed 7% of its assessed valuation, and that the debt of this municipality shall be held to include the bonds of overlapping areas proper to the city, such as school districts. The investor would do well to consider as "out" the bonds of any district, county or city, which has approached this maximum limit too closely. However, the burden of county taxes applicable to a city should be carefully considered in this connection. This burden is often forgotten in the public offering.

Again, a high per capita debt, while not always conclusive, is worth studying. For example Norfolk, Virginia, has a per capita net debt of about $206 per capita, the highest in the United States. Providence, Rhode Island, has shuffled along with a debt of only $65 per capita. St. Louis had one of only $17, but she had manifestly neglected elementary needs, and thus has had to issue $87,000,000 or more than $100 per capita all at once. This kind of economy is not significant, and is not what is meant by true civic economics.

New York has a per capita debt of $193, but the per capita wealth of its inhabitants is of course far greater than is that of Norfolk. Chicago has a debt of only $41 per capita, due to state limitations, and has a high tax rate, because it builds schools for example, on a pay-as-you-go basis. Norfolk has, of course, a low present tax rate, the children will pay. The average per capita burden of the forty largest cities is about $100. Any excess above $150, therefore, should be critically examined with a prejudice in favor of rejection.

Another subject worthy of investigation is the propensity of a municipality to abuses. For example, a recent committee found in various cities the following: That lighting bonds were used to pay current lighting bills, that bonds have been issued in excess of the debt limit by representing that the water debt represented a self-supporting enterprise, which was not true. Wherever a city is perilously near the debt limit and justifies its issues, by a statement that some of the bonds cover self-supporting enterprises, its municipal accounting system should be verified. With increasing municipal ownership, this is proving a growing and serious abuse.

Then again many municipalities have jacked up valuations above real value so as to increase the debt limit. This is a great danger in all cities near this limit. Many cities have issued 40-year bonds against improvements that will wear out in 10 or 20 years. Hence bonds having too distant a maturity should have their physical basis examined, especially if the debt service is to be met out of that improvement. In some cases the committee found that 20% of present outstanding bonds represented no present values, and that 34% were refunding bonds. Then again many municipalities do not like to levy heavy taxes to replenish the sinking funds, as they feel that at maturity, the bonds will be refunded anyway. In some cases of overbonded communities, it has been found that debt service absorbed more than half the budget, and that the fire, school and hospital services were therefore crippled. In such a case, if it comes to a show down, taking care of municipal bondholders at a distance or of municipal functions at home, there is no doubt of the outcome. Wherever this situation occurs, do not buy the bonds.

It is a fixed principle in every state law, that first the municipality must live, and then comes the bondholder. Do not buy the bonds of smaller resort towns, one-industry small towns, and especially of small mining communities. Defaults and compromises occur to this day. Some municipalities have too many bond issues maturing in the same year, and this is an undesirable feature.

Some cities have failed to establish sinking funds as covenanted, and in only one of thirty communities studied did a critical investigation find the sinking funds correctly accounted for, and in many cases they were undersized. Get the report of the city treasurer when buying your municipals, especially in smaller towns. Be careful, when a county bond is offered, that most of its taxes are not levied in one city already near its debt limit. Be sure that the town has not too many taxes in arrears, and that it shows a reasonable speed in collections.

Municipal bonds deserve a little trouble in investigation, for in one important aspect they are inferior to corporate bonds. The defaulting of interest does not make the principal due forthwith, nor does the failure to make payments on the principal in serial bonds make the remaining payments due forthwith. Nor do nine municipal bonds out of ten (at least) give the bondholder any lien whatsoever on any property. Hence he has not the recourse available to the corporate bondholder. Bonds again differ fundamentally in that some are the obligation of the entire city, and others the obligation only of the project, and are paid only if it is successful. Where there is a constitutional limit on tax rates, the bondholder, even in the case of general municipal obligations, may find himself obliged to compromise. This is the most serious objection against purchasing the obligations of cities too near their debt limit, or with too high a tax rate. County bonds are often payable by the county only if the subdivision issuing them keeps within the limits on assessed valuation. For these reasons to be fully acquainted with the data, is to be thrice armed with safety.

After all, the chief recommendation that can be made is this, apply to municipal bonds the same standards of caution and investigation that you apply to industrial and railroad investments. It is precisely because municipal bonds, as a group, are among the most desirable investments that they are worth all this care. We search for flaws in diamonds, not in imitation pearls. Have faith in municipals, but discriminate, discriminate, discriminate. This is the true constructive viewpoint.

HAS THE WOLF OF WALL STREET MADE HIS LAST RAID?

(*Continued from page* 19)

"I think that is a very trite way of putting it," he remarked. He meant "concise" instead of "trite."

Great figures stalk before you, many of them dead. For eighteen years he was "associated" with the late James R. Keene. He "quarrelled" with Harriman over a matter of "division of profits." He blended his wits with those of Russell Sage and uncounted dollars gushed forth. He will tell you how they purchased 150,000 shares of Union Pacific at $1.50 a share which they "held for a long time."

J. P. Morgan, the elder, after many years of mutual service, finally dismissed Lamar with the "basest ingratitude." Only he doesn't say "dismissed" but that the "basis of our relations was changed."

For the present generation of speculators he has little respect. Lawson is a "tyro," a one-market-operation man. He had nothing to do with the manipulation of Amalgamated, it was Lamar and Keene who handled that stupendous undertaking. When Lawson lost the support of his Amalgamated friends and tried to operate on his own account, he speedily fizzled. Baruch is an "opportunist" and Livermore a "joke."

"My methods," he explains, "are such that nothing can occur which will upset my plans or defeat my objectives." If you didn't know better you feel that you would believe every word he says.

"I certainly do like to make money," he said, and from the sigh that accompanied the remark you know that it came from deep.

It is a strange situation. Here is a man with undoubtedly some of the attributes of real greatness. He has a fine mind supported by an imposing presence. Owing to the fact that certain convolutions in his cerebellum are missing, he is obliged to consort with thieves, murderers and degenerates. Where once he rode in his own limousine he now walks in the degrading prison file. He feels that he has not received fair treatment. That is the usual mental attitude of one in his position. But what is unusual is that his two prison experiences have not, apparently, broken him down or made him hard. He exhibits no remorse or rancor. He has the sang-froid and philosophy of the gambler who has bet on the wrong card. Maybe next time—

But the warden approaches and it is time to go. Graciously he dismisses you with the correct formula of convention. You feel that you have spent a pleasant afternoon at the seat of a genial country gentlemen. He regrets he is unable to accompany you to the door.

You turn for one last look. He stands as you have left him, swathed in his blue sweater, massive head slightly bent, as though sagging under its own weight. One arm is raised in a dignified gesture of farewell.

David Lamar is thinking of writing his memoirs. He says they will be interesting. They should, at least, be that.

Current Bond Offerings

Market Stimulated by Lower Money Rates—Volume of Offerings Increase

DURING the past two weeks, considerable more interest has been manifested in new securities. Undoubtedly, sentiment has improved as a result of the ease in money rates. The old bond market is fairly strong, and the better class of bonds are advancing though moderately. The result has been to stimulate bankers and investment houses to issue their offerings at this time thereby taking advantage of the generally improved conditions.

The volume of new issues was fairly large, being more or less equally divided between state and municipals, industrials and public utilities. There were no foreign government issues which is not difficult to understand in view of the demoralized situation in Europe.

Increase in Public Utility Financing

The most interesting feature of these recent offerings has been the growth of public utility bond financing. A great deal of this had been held pending a shift in sentiment in the market, and now that conditions are generally more improved so far as investment demand is concerned, it is to be expected that full advantage will be taken by public utilities of this opportunity to finance themselves.

The money-rate situation is such that the trend toward lower interest charges should continue for some time. Money rates are now resting on a 5-5¼% basis against 5½% some weeks ago. This lays the foundation for a good bond market.

NEW BOND OFFERINGS

	Amount	Yield Off'd (%)
STATE AND MUNICIPAL		
Caddo Parish, La.	$1,000,000	4.95-5.00
Indianapolis, Ind.	1,650,000	4.45-4.50
Multnomah Co., Ore.	1,000,000	4.70-4.80
Columbus, Ohio	1,498,000	4.45-4.60
State of Oregon	1,000,000	4.40-4.50
RAILROAD		
Pere Marquette Ry.	$12,500,000	5.40
PUBLIC UTILITY		
Houston Lt.&Pr. Co.	$2,000,000	6.10
Iowa Rwy. & Lt. Co.	1,000,000	6.00
Phila. Elect. Co.	10,000,000	5.60
Portland Rwy. Lt. & Pr. Co.	2,000,000	6.65
Public Serv. of Colorado	2,250,000	7.25
Southern Cal. Edison Co.	11,500,000	6.12
Quebec Power Co.	3,540,000	6.38
INDUSTRIAL		
Inter. Match Corp.	$15,000,000	7.05
Pillsbury Flour Mills, Inc.	2,000,000	7.43
Knox Hat Co.	1,000,000	6.75

FIVE STANDARD STOCKS OFFERING ATTRACTIVE RETURNS

(Continued from page 36)

Baltimore & Ohio

The Common Stock As an Investment

JUST before the directors of the Baltimore & Ohio voted to resume dividends at the rate of $5 a year the stock was selling around 50. Following the dividend announcement there was a sharp rise to 59 and then a sagging back to the neighborhood of 56.

There was a long line of speculative stock held against the time when dividend resumption would be announced, and since announcement there appears to have been a steady stream of profit taking. This technical market position of the shares has prevented a reflection in market quotations of the consensus of opinion as to the ability of the road to continue payments indefinitely.

At the time of the dividend announcement, President Willard said that unless extraordinarily unfavorable situations arose affecting the entire railroad situation, he believed that Baltimore & Ohio common had come back for good as a dividend payer. The dividend record has been good, a fact which has been somewhat covered up by the unfortunate experience of the road during the period of Federal operation.

In 1921, earnings were equivalent to $2.66 a share on the common stock and in 1922, only $1.33 a share was earned, but in that year the shopmen's strike coupled with the interruption to coal mining, cost the road as much as would have been necessary to have paid the dividend of $5 upon approximately 1.5 million shares of common stock outstanding. According to official figures the per share surplus on the common stock for the nine months ended September 30, 1923, was $11.80 a share, indicating an annual rate of at least $15 a share.

Baltimore & Ohio has been spending freely, particularly for maintenance of equipment. The systems like Baltimore & Ohio, which have been devoting every energy to bring up physical standard, are not under the same necessity of spending large sums on upkeep as they were a year ago, and barring unexpectedly large wage increases, should be able with a smaller volume of traffic to show a substantial

net. In the days preceding the war, Baltimore & Ohio's operating ratio ranged between 75 and 70%. As was the case with practically all of the roads this ratio rose to well over 90% during the war years, but in 1921 was down to 83% and about the same in 1922. In the nine months ended September 30, 1923, operating ratio was below 80% and this despite the heavy outlay for equipment maintenance.

In every year from 1900 to 1919, Baltimore & Ohio paid dividends upon the common stock. From 1907 through 1914, the rate was 6% and from 1915 through 1917, 5%. **The evidence at hand is entirely favorable to the continuance of the recently restored 5% rate through anything, possibly, but a major depression and, therefore, the stock while admittedly more of a speculation than an investment at the present time seems in line gradually to improve its investment position and to attract more attention from those who wish to buy for income.**

WHAT FRANCE SEEKS IN THE RHINELAND

(*Continued from page* 11)

face of her apparent chaos and decay. That intelligence and experience can be counted on to operate there in a degree that would be impossible in crude and undeveloped Latin-America is certain.

I believe that, in Europe, necessity will be met, just as it has been met in the last few years, despite political disturbance and uncertainty, even despite monetary and, in some degree, social chaos.

Also, we should not forget that, no matter what the chancelleries of Europe may do—no matter what the people may do, politically speaking, there will continue to be mouths to be fed, hands to be employed, capital to put to work. These are basic requirements. They are requirements that do exist and will exist though Government break down altogether.

I believe that business in Europe will continue to go on—not undisturbed, to be sure, by political maneuverings, but going on nevertheless. There will be fluctuations, of course; nevertheless, just as people generally are working, producing and consuming even in the most disturbed areas of Europe today, so people will continue to work, produce and consume, no matter what happens politically in the Rhineland, the Ruhr, or anywhere else.

And, as long as the Europeans do continue to work, produce and consume, just so long will we be able to sell to and buy from them. Demoralized currencies, crumbling governments can impede the trade, but they cannot stop it altogether. Commerce usually manages to find a way.

Summing up, I would say that, while I see little ground for optimism concerning the outlook for continental Europe, I still believe that the pessimism should be directed more at political conditions over there than at commercial conditions.

UNLISTED UTILITY BOND INDEX

POWER COMPANIES

	Investment Grade	Asked Price	Yield
Adirondack Power & Light 1st & Ref. 5s, 1950	B..	100	6.00
Adirondack Electric Power 1st 5s, 1962	A..	96½	5.20
Alabama Power Co. 1st 5s, 1946	B..	91½	5.65
Appalachian Power Co. 1st 5s, 1941	B..	89	6.00
Appalachian Power Co. 7s, 1936 (Non-Callable)	B..	101	6.90
Ashville Power & Light 5s, 1942	B..	95	5.40
Carolina Power & Light 1st 5s, 1938	B..	94½	5.55
Central Maine Power 1st & Gen. Mtge. 7s, Ser. A, 1941	B..	105	5.50
Colorado Power Co. 1st 5s, 1953	B..	87½	5.95
Consumers Power Co. (Mich.) 1st 5s, 1936	B..	95	5.55
Electrical Development of Ontario 5s, 1933	B..	95½	5.60
Great Northern Power Co. 1st 5s, 1935	B..	91	6.15
Great Western Power Co. 5s. 1946	B..	92½	5.60
Hydraulic Power 1st & Imp. 5s, 1951	A..	97½	5.50
Indiana Power Co. 7½s, 1941	B..	102½	7.25
Idaho Power Co. 5s, 1947	B..	88	5.95
Laurentide Power Co. 1st 5s, 1946	A..	94½	5.40
Madison River Power Co. 1st 5s, 1935	A..	98½	5.20
Mississippi River Power 1st 5s, 1951	B..	93	5.50
Nebraska Power Corp. 1st 6s, 1949	B..	100½	5.99
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A..	104	5.50
Penn.-Ohio Power & Light 8% Notes, 1930	B..	103	7.40
Puget Sound Power Co. 1st 5s, 1933	A..	97	5.35
Salmon River Power 1st 5s, 1952	B..	95½	5.30
Shawinigan Water & Power 1st 5s, 1934	A..	100	5.00
Southern Sierra Power Co. 1st 6s, 1936	A..	101	5.80
Wisconsin Edison Co. 6s, 1924	A..	100	6.00

GAS AND ELECTRIC COMPANIES

	Investment Grade	Asked Price	Yield
Bronx Gas & Electric 1st 5s, 1960	B..	89	5.78
Burlington Gas & Light 1st 5s, 1955	B..	82 bid	6.30
Buffalo General Electric 1st 5s, 1939	A..	100½	4.95
Cleveland Elec. Ill. Co. 5s, 1939	A..	99½	5.05
Cons. Cities Light, Power & Traction 1st 5s, 1962	C..	67½	7.55
Dallas Power & Light 6s, 1949	B..	100	6.00
Denver Gas & Electric 1st 5s, 1949	A..	93	5.50
Evansville Gas & Electric 1st 5s, 1932	B..	95	5.80
Houston Light & Power 1st 5s, 1931	B..	95	6.80
Indianapolis Gas Co. 1st 5s, 1952	B..	87	5.95
Nevada-California Electric 1st 6s, 1940	B..	94	6.45
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B..	103½	7.05
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B..	95	6.10
Portland Gas & Coke 1st 5s, 1940	B..	91	5.85
Rochester Gas & Electric 7s, Series B, 1946	B..	109	6.10
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	B..	93¾	5.60
Syracuse Gas Co. 1st 5s, 1946	A..	94	5.80
Tri-City Railway & Light 5s, 1930	B..	91	5.65
Twin State Gas & Electric Ref. 5s, 1953	B..	80	6.50
United Light & Railway 5s, 1932	B..	88	6.80

TRACTION COMPANIES

	Investment Grade	Asked Price	Yield
Columbus Street Railway 1st 5s, 1932	B..	88	6.80
Detroit United Railway 1st Coll. 8s, 1941	B..	107½	7.25
Galveston-Houston Electric Railway 1st 5s, 1954	B..	84	6.17
Kentucky Traction & Terminal 5s, 1951	C..	75	7.15
Knoxville Railway & Light 5s, 1946	C..	82	6.50
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B..	94	6.40
Memphis Street Railway 5s, 1945	C..	75	6.70
Northern Ohio Traction & Light 6s, 1926	B..	97	7.10
Nashville Railway & Light 5s, 1953	B..	88	5.53
Schenectady Railway Co. 1st 5s, 1946	C..	68	8.35
Topeka Railway & Light Ref. 5s, 1953	B..	86¼	6.10

HOLDING COMPANIES

	Investment Grade	Asked Price	Yield
American Lt. & Trac. 6s, 1925 (Without Warrants)	A..	101½	5.20
American Gas & Electric 6s, 2014	B..	95	6.30
American Power & Light 6s, Series A, 2016	B..	92½	6.50
Federal Light & Traction 1st 5s, 1942	B..	87	6.18
General Gas & Electric s. f. 7s, 1952	B..	100	7.00
General Gas & Electric 1st 5s, 1925	B..	99	5.70
Middle West Utilities 8s, 1940	A..	107	7.20
Standard Gas & Electric 7½s, 1941	B..	104	7.10

TELEPHONE AND TELEGRAPH COMPANIES

	Investment Grade	Asked Price	Yield
Bell. Tel. Co. of Canada 1st 5s, 1925	A..	98½	5.40
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	95	5.40
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	95½	5.45
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	98	5.30

BETTER PUBLIC UTILITY BOND MARKET EXPECTED

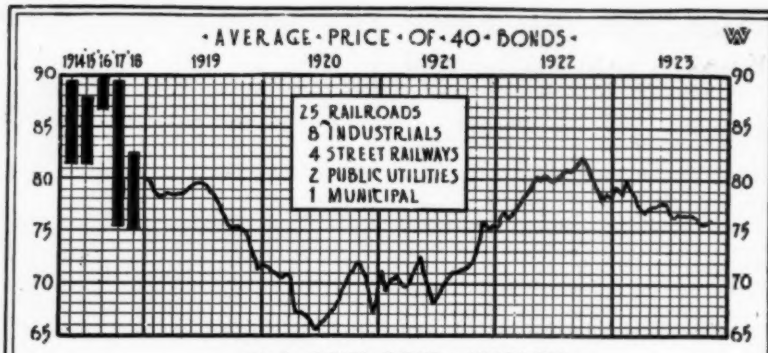
Sentiment Is Much Improved—Utilities Continue Inactive But More Interest Due

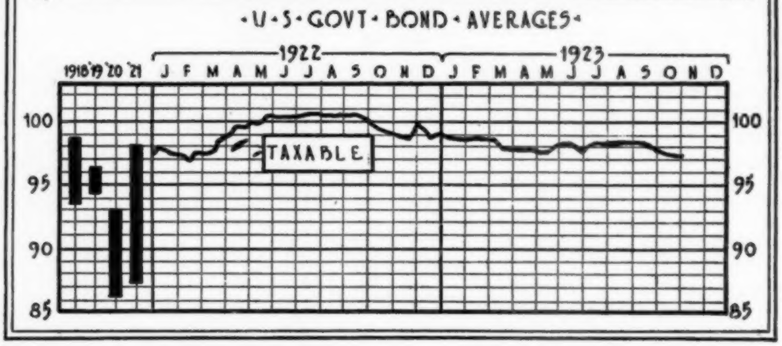
FINANCING by public utility companies during the month of October was on a larger scale than had been the rule during the previous month. It is estimated that notes and bond issues to the amount of $50,000,000 had been sold during the month and a continuation of offerings on the larger scale is seen in the current month. The reason for this is the better sentiment to bond markets generally. Indeed, there has been a marked change in sentiment, and whereas only a few months ago dealers had practically despaired of having any kind of a market, they are now quite optimistic.

As is usually the case, the improvement in sentiment over the bond market preceded the better feeling as to the future of the stock market. It is pointed out that despite more or less gloomy talk on business conditions, much of which is not warranted, the banking situation has been proven to be sound. Conditions favor a period of accumulation in the bond market, chief of which is the indication that easy money conditions will prevail. It is also pointed out that quick handling of freight this year on account of the better conditions affecting the railroads, has released a greater amount of funds which might otherwise have been tied up.

Several large issues by public utility companies are believed to be ready to be sold, dealers and company officials alike encouraged by the better sentiment. It is estimated that so far this year about $800,000,000 of new financing has been accomplished by the utilities, the greater part of which was put out in the early months of the year. With the new issues coming, without a doubt, these companies should have reached the billion-dollar mark by the end of the year.

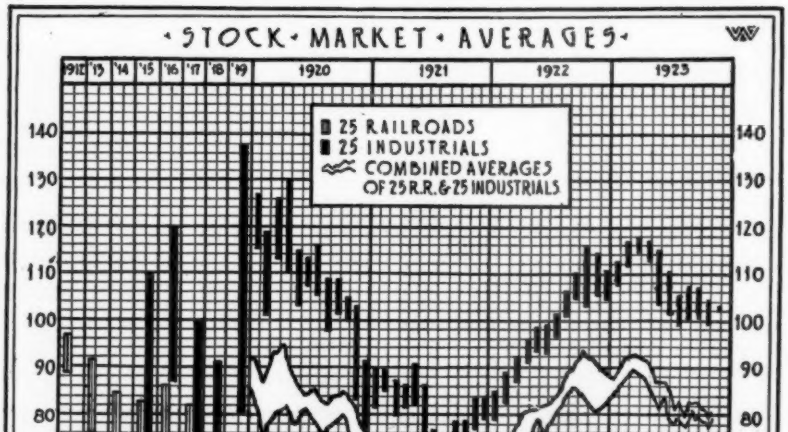
Considerable progress is reported as having been made in reducing the number of issues which have been overhanging the market. However, while sentiment is better, tangible results in the shape of better prices for the unlisted public utility issues have been lacking. It is true that a better inquiry is shown with some moving up of bid prices, but the market on the whole has continued dull during the past two weeks. There was some buying of American Light & Traction 6% notes of 1925, but the price remained unchanged at 101. Buying is believed to have been for the account of the company as the intention is to retire the notes before maturity. Half of the original $6,000,000 was retired some time ago. Some announcement is expected shortly relative to a favorable adjustment of the Detroit gas situation. Company is likely to get an increased rate which should help earnings. Statement for the 12 months to September 30, showing earnings of around $10 a share on the common, represented a slight loss from the previous 12-month period. This is attributed directly to the fact that the Detroit subsidiary, which is ordinarily a large source of revenue, returned practically nothing to the parent company.





MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	20 Rails	N.Y.Times 50 Stocks High	Low	Sales
Friday, October 19.....	75.95	87.51	78.67	79.31	78.67	577,991
Saturday, October 20...	76.08	87.83	78.95	79.43	78.98	268,730
Monday, October 22....	76.07	87.48	78.38	79.55	78.85	478,875
Tuesday, October 23....	75.90	87.37	78.33	79.17	78.39	549,645
Wednesday, Oct. 24.....	75.85	87.13	78.41	79.31	78.61	543,500
Thursday, October 25...	75.77	86.43	77.78	78.80	78.10	565,820
Friday, October 26......	75.78	86.01	77.65	78.47	77.33	718,520
Saturday, October 27...	75.81	85.76	77.65	77.78	77.18	291,400
Monday, October 29.....	75.75	86.20	77.86	78.06	77.15	623,290
Tuesday, October 30....	75.74	85.91	77.67	78.21	77.55	591,947
Wednesday, Oct. 31.....	75.92	88.53	78.82	79.57	77.90	1,390,691
Thursday, Nov. 1.......	76.29	88.41	80.01	80.50	77.30	1,236,465



WHAT DO ANNUITIES OFFER THE INVESTOR?

(*Continued from page* 43)

most commonly used. It is purchased by a cash payment in advance, and it guarantees to the purchaser, or to his or her nominee, a stipulated income, payable monthly, quarterly, semi-annually, or annually, as desired.

Take the case of an elderly man who has retired from business with a capital of $30,000 with which he hopes to maintain himself during the remainder of his life. If invested safely and conservatively in long-term bonds, the interest return cannot be assumed to consistently run beyond 5% over a long period of years. Thus the income derived from the $30,000 would be but $1,500 a year.

But assuming that the investor is 65 years old and decides to buy an annuity with his $30,000, the return would be far more interesting. He could obtain an annual income of approximately $3,525 through the purchase of an Immediate Annuity, representing a return of 11¾% on his investment.

No medical examination is required of the applicant for an annuity. The man in poor health is not apt to apply for this benefit. It appeals to those elderly people who have a normal expectancy of a healthy and extended old age, and who desire to obtain the largest income that can safely be provided by their principal. The purchaser of an annuity understands (unless survivorship continuance is arranged in the contract) that he will receive a regular stated income during his lifetime, and that payments will cease at his death and the contract will be closed. In case of early death of the annuitant, no part of the purchase price is returned. The annuity has, however, served its purpose by life protection of the annuitant.

Owing to the greater longevity of women after middle life, necessitating income payments over a longer period of years, the cost to them is somewhat higher than in the case of men. The rates and percentages at specimen ages, male and female, shown in Table I, indicate the excellent return afforded by investment in an Immediate Annuity.

For a Specified Amount

It may be that the investor wants to arrange for a *specified amount* paid at certain periods in a round sum, as, for instance, $1,000 annually. The purchase price for this amount at various ages, male and female, appears in Table II.

Occasionally a tentative purchaser will say: "But life is uncertain even for a healthy man. If I pay out $10,000 and happen to die shortly afterward, the loss is greater than I care to incur. Cannot I get a guarantee that my annuity payments will at least return my principal?"

The answer to this is "Yes"; but of course in such case the annual payment will be somewhat smaller, because there is some life insurance combined with the annuity guarantee, and most purchasers prefer the larger income.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

American Arch (5P)	70 — 74
American Book Co. (6)	87 — 92
American Cyanamid (4)	72 — 74
Pfd. (6)	71½— 74
American Thread pref.	3⅞— 4¼
Amer. Type Founders (6)	75 — 78
Pfd. (7)	97 —100
Atlas Portland Cement (4)	76 — 80
Babcock & Wilcox (7)	106 —108
Borden Co. (8)	117 —119
Pfd. (6)	101 —103
Bucyrus Co.	38½— 40
Pfd. (7A)	103½—105½
Celluloid Co. (6)	80 — 85
Childs Co. (8)	156 —158
Pfd. (7)	110 —113
Crocker Wheeler (2)	28 — 38
Pfd. (7)	78 — 88
Curtiss Aero & M.	14 — 15
Pfd.	38 — 41
Franklin Rwy. Supply (8P)	300 —310
Franklin Rwy. S. new w. i.	60 — 62
Jos. Dixon Crucible (8)	135 —139
Gillette Safety Razor (12P)	†260 —270
Ingersoll Rand (8)	170 — ..
Johns-Manville, Inc. (3P)	84 — 92
McCall Corp'n	40 — 45
Pfd. (7B)	111 —116
New Jersey Zinc (8P)	135 —140
Niles-Bement-Pond	18 — 21
Pfd. (6)	75 — 85
Phelps-Dodge Corp'n (4)	135 —145
Poole Engineer'g (Maryland):	
Class A	18 — 23
Class B	8 — 12
Royal Baking Powder (8)	120 —128
Pfd. (6)	98 —100
Safety Car H. & L. (6)	90 — 93
Savannah Sugar	50 — 54
Pfd. (7)	77 — 80
Singer Mfg. Co. (7)	120 —122
Superheater Co. ($8P)	x140 —143
Thompson-Starrett (4)	58 — 65
Victor Talking Mach. (8)	147 —152
Ward Baking Co. (8)	100 —103
White Rock (5)	47 — 50
2nd Pfd. (5)	54 — 57
1st Pfd. (7)	80 — 86
New Stock w. i.	9¼— 10
Yale & Towne (4)	62 — 64

* Dividend rates in dollars per share designated in parentheses.

† Listed on N. Y. Curb Exchange.

P—Plus Extras.

x—Ex-Dividend.

A—Arrears of 16½% being discharged at rate of 2% annually.

B—Arrears being discharged at rate of 7% annually in addition to regular dividend rate.

SEVERAL new developments occurred in the fortnight just ended of a sort calculated to interest those who have followed the reports and recommendations rendered here.

First, there was the actual listing of the shares of the Congoleum Co. on the New York Stock Exchange, compelling reference here if only because this issue was for long one of the outstanding recommendations of this Department. The common shares of Congoleum, subsequent to listing, advanced some 25 points on the Big Board to a recent price of 158. The Department has the satisfaction of knowing that subscribers who followed its reports on this company had frequent opportunities to share in Congoleum's phenomenal market fortunes, just as in the cases of several other Over-the-Counter issues which, after endorsement here, have more than justified the confidence expressed in them.

Superheater Pays Big Extra

An outstanding feature of the fortnight's developments was the announcement of an extra dividend of $5 per share to be paid by the Superheater Co. to stockholders of record October 25th, and the further announcement of the plan to increase the company's capital stock from 125,000 to 200,000 shares. Following this news, which must have been no surprise to those who have kept in touch with the Superheater situation, the stock advanced to a market of 140 @ 143, "ex" the recent quarterly dividend of $2 per share as well as the extra of $5; in other words, the bid price of $140-ex corresponds to a bid of $147 with the dividends on.

It is not possible at this time to state what course the Superheater directors will take in respect of the 75,000 shares of additional stock to be authorized. The new block might be issued in stock-dividend form, or might be offered existing stockholders at a nominal price, in which case valuable rights would accrue. In any event, with the corporation earning considerably more than $25 per share on the present 125,000 shares, and neither bonds nor preferred stock superceding the capital stock in claim upon earnings, Superheater's investment appeal is substantial. The stock was first pointed out here last June at 104.

Franklin Railway Supply

Stockholders in the Franklin Railway Supply Co. have received notice that the capital stock will be increased from 30,000 to 150,000 shares by the exchange of 5 for 1 in December. This move was forecasted in our October 27th issue, although a somewhat larger split-up has been anticipated. Prior to the development, the bid price on Franklin Railway Supply was raised no less than 80 points, the market of 220-bid which was quoted two weeks ago contrasting with the present market of 300 @ 310. A market

for the new stock, on a when-issued basis, has been established at 60 @ 62. It can be recommended here as a speculation.

Franklin Railway Supply, as said before, owns the Poole Engineering & Machine Co. of Maryland, and there is no small prospect that its investment here will prove productive in the not far distant future. The Poole industrial organism has been manufacturing various sorts of machinery for eighty years. Its operations, already well diversified, were recently broadened out materially by its entrance into the manufacture of railway supplies, notably a steam mechanism designed to amplify the tractive power of steam locomotives, and in this field, in conjunction with F. R. S., it has already scored considerable success. The company's earnings for 1923, based on results so far, should show a balance after interest charges for both classes of stock equivalent to more than $4 per share. Its Class A stock is entitled to cumulative dividends from January 1, 1923.

White Rock Amends Capital Structure

Chairman Smith, of the White Rock Mineral Springs Co., has communicated to shareholders a plan for amending the company's capital structure which resolves itself into the following:

(1) Authorized amount of 1st Preferred Stock will be reduced to $2,000,000 par value, or the amount now outstanding.

(2) Amount of 2nd Preferred will be reduced to $1,000,000, or the amount now outstanding, through cancellation of $750,000 par value now in the company's treasury.

(3) Authorized Common Stock will be reduced to 200,000 shares, the shares will be converted into no par value and each stockholder will be given 5 shares of new common for 1 of old.

EXPENSES THAT EAT INTO PROFITS

(*Continued from page* 17)

have an adequate accounting system so that he will know just where he stands at any given time. He will expect competition, a great deal of it, and act accordingly. He will recognize that business today and tomorrow cannot be conducted on the same slip-shod and extravagant basis as during the war period. He will not expect a large margin of profit nor try to secure it, but he will try to produce and sell as cheaply as possible, widening his markets, and trusting to an expanding sales volume to produce a satisfactory percentage of profit.

The secret of business success will consist largely of the rapidity of turnover. The more rapid and the larger the turnover, the smaller the margin of profit necessary to carry on business; the smaller the margin of profit the easier it will be to compete with other business men. In this way, it may be possible to cheapen the cost of doing business which today has reached prohibitive figures for all but a comparatively few—but those successful—companies.

Municipal Bonds

HIGHER GRADE MUNICIPALS

		Rate Interest	Maturity	Approximate Yield
N	State of Illinois	4	May 1942	4.40
N	State of Illinois	4¼	August 1937	4.45
N	State of Illinois	4¼	August 1938	4.50
N	Chicago, Illinois	4	Jan. 1939	4.40
N	Indianapolis, Indiana	6	Jan. 1927	4.50
N	State of Illinois	4	May 1941	4.40
N	State of Iowa	4¼	Dec. 1924	4.40
N	Cleveland, Ohio	4¾	Sept. 1943	4.45
N	State of Idaho	5	Jan. 1941/31	4.55
N	State of Delaware	4½	Jan. 1963	4.35
N	State of Iowa	4¼	Dec. 1936	4.45
N	Des Moines, Iowa	4½	June 1934-37	4.40
N	Akron, Ohio	5¼	April 1947	4.60
N	Detroit, Michigan	4¼	June 1933	4.55
	Fort Worth, Texas	4½	Jan. 1937	4.65
N	State of South Dakota	5	March 1935	4.80
	Omaha, Nebraska	4½	March 1943	4.50
N	State of Kansas	4½	July 1945	4.40
N	State of Oregon	5½	October 1927	4.65
	Norfolk, Virginia	4½	March 15, 1973	4.60
	Hopewell, Virginia	5½	Aug. 15, 1925/24	5.00
N	State of Oregon	4	1934-35	4.40
N	Rochester, N. Y. Reg'd	4½	March 1945	4.10
	Charleston, S. C.	4	March 1963/43	4.50
N	State of Illinois	4	May 1928	4.50
N	State of North Carolina	5	August 1947	4.50
	Hazleton, Pa. (Tax Exemption, Pa.)	4½	1941-53	4.20
N	State of Washington	5½	Feb. 1941/31	4.50
	Hoboken, N. J.	5½	Oct. 15, 1929	4.70
N	San Francisco, Calif.	4½	July 1950-58	4.50
	Beaumont, Texas	5	Oct. 1930	100½
N	State of New Jersey	4½	July 1933	100½
N	Detroit, Michigan	5½	Jan. 1941	4.60
N	Los Angeles, Calif.	4½	April 1940-59	4.50
N	San Diego, Calif.	5	July 1924	4.55
	Chicago, Ill. Sanitary Dist.	4	July 1929-31	4.60
	Chicago, Ill. Sanitary Dist.	4	July 1933-34	4.50
N	New York State Reg'd	4½	Jan. 1964	3.90
N	Jersey City, N. J.	4½	June 1953	[illegible]
N	Detroit, Michigan	4½	Jan. 1931-45	4.50
N	State of West Va.	4	1930-46	4.40
N	Hawaiian	4½	1953-43	101¼
N	State of Oregon	4	1928-30	4.65
N	Newark, N. J.	4½	Oct. 1944-53	[illegible]
	Los Angeles, Calif., School Dist.	4¼	1935	[illegible]
	Los Angeles, Calif., School Dist.	4¼	1932	4.65
N	Akron, Ohio	4½	May 1926	4.60
	Cleveland, Ohio, School Dist.	6	Sept. 1930	4.70
N	Cleveland, Ohio	4¼	Sept. 1931-32	4.50
N	Wichita, Kansas	4½	Feb. 1933-36	4.60
N	Topeka, Kansas	4¼	August 1923	4.60
N	Akron, Ohio	5	April 1929-30	4.65
	Kansas City, Mo., School Dist.	4	July 1930	4.50
N	Seattle, Washington	4½	Jan. 1932	4.60
N	State of Mississippi	4½	July 1933	4.50
N	State of Mississippi	4½	July 1932	4.50
N	Baltimore, Md. Reg'd	5	March 1933	4.40
N	State of Maryland	3½	Feb. 1926/21	4.40

N—Legal for Savings Banks in New York State.

ALLIS-CHALMERS MFG. CO.

(Continued from page 32)

$4 a share will probably have been earned for the third year in succession by a slim margin.

It may be mentioned, in passing, that earnings by quarters are not necessarily a good guide to the final performance for the year of this particular company. For the first nine months of 1922, for instance, it reported about 63 cents earned per share, against $3.74 a share earned in the first nine months of 1921. In the last quarter of 1922 it did only about a million dollars' worth of gross business more than in the last quarter of 1921, but it finished the year with $4.09 earned per share of common against $4.12 in 1921. This was accomplished partly by the inclusion of nearly $700,000 of reserves on expired contract and settlement of a foreign contract.

A more reliable guide to the nearby future trend of the earnings of a company of this type is to be found in its unfilled orders. At the beginning of the current year these totalled 8.2 million dollars' worth, compared with 7.3 millions at the beginning of 1922. From this point they reached a peak of 13.1 millions on July 1, from which they have been tapering off slightly, and are now around 12.7 millions.

The rate of operations has been increasing throughout the year, however, the present number of employees, about 7,000, being practically the maximum of the company for normal peace-time operations, and comparing with less than 6,000 earlier in the year before the increased orders came in. Total assets or billings for the year should be well over 25 millions, or more than any year since 1920, and earnings should be correspondingly higher than the last two years.

Dividends on the common were initiated at the rate of $3 annually in 1920, and increased to the present $4 rate in the following year. At current prices around

38 the stock yields 10.5%, which is of course very generous.

In view of the current earning power of the company and its unfilled orders, which indicated continued good earning power for a number of months ahead, as well as of the excellent financial position, the dividend rate would seem to be fairly safe for the next few months, at least.

At these prices, the stock has fair to good speculative possibilities.

BRAZILIAN TRACTION, LIGHT & POWER CO., LTD.

(Continued from page 49)

still declining. Part of the company's business being on a gold basis, this means that it receives a greater number of milreis when Brazilian exchange is falling than when it is rising; and this helps to counteract the effects of inflation on the other part of the company's revenues, such as street-car fares, which are payable in paper milreis.

Financial Position

The company's own capitalization is on a Canadian dollar basis. Apart from 68.9 millions of bonds and debentures of its subsidiaries, it has outstanding 10 millions of a 6% cumulative preferred stock and 106.6 millions of common, both of $100 par.

The latter was restored to a dividend basis in September of last year, and has been paying $1 each quarter since then. Out of a total of $51.07 earned in the ten calendar years 1913 to 1922, the company has paid out $24.50 in dividends, the rest having been plowed back into the property in one way or another. This amounts to $26.57 a share on over a million shares, or over 28 millions altogether.

In the last five years, 16 millions has been added to the property account, directly or indirectly through the acquisition of new subsidiaries, and working capital has been increased from 3.2 millions to 10.1 millions.

At the end of 1922, current assets totalled 15.8 millions, against 5.7 millions of current liabilities. Among the former were a cash item of 1.9 millions, and 5.1 millions in Government securities, which the company carries on its balance sheet at cost. On the liabilities side, apart from accounts payable of 3.6 millions, the chief item was accrued charges on the preferred stock and subsidiaries' funded debt, amounting to 1.4 millions. There were no bank loans outstanding, the secured bank debt which amounted to 1.5 millions at the end of 1920 having been wiped out by the end of the following year.

The company is still growing, being now engaged in constructing a water-power installation whose first unit of 42,000 kilowatts will be ready to serve Rio de Janeiro in 1924.

At current prices around 42, the common stock yields about 9.5%, which is very satisfactory in view of the company's earning power and outlook. It would be an ideal security to "sweeten" the yield on a business man's investment holdings.

WHAT IS THE OIL INDUSTRY DOING TO COMBAT DEPRESSION?

(*Continued from page* 51)

of crude oil in storage has steadily increased. About 11% of the crude produced has gone into storage. The increase for the past twelve months has been about thirty-five million barrels. However, the amount of crude oil on hand in terms of days' supply shows a decrease, as there were 206 days supply on hand in August, 1922, and only 200 days' supply on hand in August, 1923.

It is apparent then, that if present efforts to restrict the drilling and development of producing territory are continued and meet with success, the production and the consumption of crude will equalize the coming year. That the bottom has been reached is best indicated by the action of the various Standard Oil interests in acquiring producing properties. The past few weeks have witnessed the acquisition of the properties of Waite Phillips—probably the largest individual operator in the oil industry—by the Ohio Oil Company, the purchase of some of the properties of Middle States in North Texas by the Magnolia, and the purchase by the Standard Oil Co. of Indiana of a large block of acreage and production in Oklahoma. It is true that all of these were acquired at bargain prices, but the history of the industry has been that such times as these always find the Standard taking over valuable properties at greatly reduced figures.

Outlook for Gasoline

The gasoline situation does not present the hopeful future for betterment that crude oil does. There is still too much gasoline on hand and refineries are continuing to turn out too much of this product. On August 1st, there was over a billion gallons of gasoline on hand, and very probably there is close to a billion gallons in stock at the present time. This is an increase of about two hundred and fifty million gallons over the available stocks for the same period of last year. The results of the frantic efforts to pile up stocks in the early part of the year are still hampering the industry.

The consumption of gasoline increased over 25% this year and the production of gasoline for August only showed an increase of 16%, so that some headway is being made towards eliminating the large accumulation of gasoline. However, as the seasonal decrease in demand is upon the industry, it is not believed that the stocks will be diminished unless the refiners take more drastic action towards curtailing their output. Very few refineries outside of the Standard group and a few others can produce gasoline at the present market prices, so that they will probably be forced to decrease their production through lack of financial ability to weather the storm. The year has seen a great deal of price cutting—secret rebating—and other obnoxious practices creep into the industry through the efforts of the refiners to dispose of their product. For the first time in many years the price

of gasoline declined in the summer at the time of the heaviest demand.

It is the gasoline situation which has played havoc with the oil industry and brought about the decreased profits with consequent cutting or elimination of dividends. The law of supply and demand made full toll on this phase of the industry. Many refiners had borrowed heavily on their gasoline stock and, when the banks called their loans, they were forced to sell their product for whatever they could get in order to liquidate their obligations.

There are too many refineries and too many people operating refineries who do not understand this phase of the industry which is entirely separate and distinct from the production of oil. Too many companies, which were fairly or exceptionally capable and fortunate in the production end of the game, have built refineries and found to their own sorrow and to the sorrow of the other members of the industry that there is a great difference between both types of enterprise. The companies in the oil industry, that are experiencing the greatest difficulty in weathering the present storm, fall into this class. It may be well noted by investors that the Standard Oil Company founded its success on its refining and marketing ability, and until the past few years did not have any interests in the producing end but were content to purchase their raw product from other concerns. It is also a fact that since the Standard interests have entered the producing end, they have lost large sums which would have bankrupted the average company, in their attempts to develop production. **It is likely that very little improvement will be noted in the gasoline situation until further curtailment is made in the production of gasoline and, apparently, this will not occur until additional refineries have been forced to shut down.**

The fuel and lubricating oil situation is not greatly affected as the increase in fuel oil consumption has been sufficient to take up the increased production of this commodity. Most of this increased consumption has come from the railroads in the West which changed from coal burning to oil burners. The lubricating oil is very much under control of the Standard and prices have been fairly good and demand such as to prevent an accumulation of stocks.

It is questionable whether the present situation in the oil industry will be harmful to such companies as Standard of New Jersey, New York, Indiana, California, Texas Co., Gulf Oil and Pan-American, when considered over a period of time. None of these companies have much inventory loss to write off for the reason that their refined products are carried at cost, which is lower than the present prices.

As for crude oil, some will undoubtedly write off inventory losses on this product for income-tax purposes. Actually they will not sustain a loss as they simply set aside any crude oil which cost more than the present prices and operate on current crude at current prices. When the market advances to a price equal to the cost of the crude which they have set aside,

they start in using this crude, so actually have no loss. Undoubtedly, these companies will store crude at the present prices, and, when crude advances, they will show a nice profit on this transaction. It is entirely possible that they may not make as large current profits, but there is practically no question that they will make their dividend requirements. In addition, they will reap any benefit that may come from the readjustment of the industry and the elimination of much competition.

Through their large cash resources, they are in a position to acquire properties which may be offered at forced sale. Already some of them have taken over holdings that should yield a handsome profit on the investment. Very probably many more will be offered at bargain prices with some of the above as purchasers. All of these companies are in a position to weather any readjustment period and take advantage of any opportunities for profit which may present themselves.

TWO SENSATIONAL INDUSTRIAL COLLAPSES

(*Continued from page* 31)

ever, and it was forced to raise more cash. With no alternative, apparently, it disposed of its prosperous Dictaphone subsidiary for a cash consideration; later it turned over several millions of dollars' worth of stock on hand to a large merchandising concern—one, by the way, known for the low prices it is able to quote but which are obviously predicated on the low prices it has o pay. But, in the final analysis, all these efforts were fruitless. The company was badly overextended, and schemes for patching it up merely delayed the day of reckoning.

On October 15th, last, in the Federal Court of New York, Judge Learned Hand appointed H. L. Wilson and James R. Sheffield receivers of the company.

Today, Columbia Graphophone common sells at 13 cents a share—the doleful culmination of an industrial collapse attributable, if our facts are right, to a harsh fate, first, to over-confident management, second, and to loose management, third.

Are the New Securities Worth Buying?

Having traced Columbia's retrogression from the time when it shared a place in the seats of the mighty to the more recent appointment of receivers, it is of interest to examine briefly the reorganization plan, as just announced, with an eye to determining its implications:

Reduced to its simplest factors, the purpose of the plan is to put the Columbia Co. upon an efficient basis, both industrially and financially, by forming two new companies to take its place, the second of which, in the rôle of Liquidating Company, will assume all the surplus assets, liabilities, etc., which too greatly encumber the present company.

Under the plan, Noteholders in the Old Company will be entitled to receive voting trust certificates for 3.75 shares of stock in the Operating Company and 3.75 in the Liquidating Co. for each $1,000 of

principal and unpaid interest to August 1, 1923.

Depositors holding Participation Certificates representing deposited Factories Stock will be entitled to 3 shares of stock of the Operating Co. and 3 of the Liquidating Co. plus $200 in cash for each $1,000 par value of deposited Factories Stock represented by the Participation Certificates so surrendered, or more, under certain circumstances.

Preferred Stockholders in the Old Company will be offered, at $100 per share cash, and in consideration of every 10 preferred shares held, 5 shares in the Operating Co. and 5 in the Liquidating Co.

Common stockholders in the Old Company will be offered, at a like cost, and in consideration of every 100 shares of common held, 2.45 shares in the Operating Company and a like amount in the Liquidating Co.

Assuming that the reorganization plan will be effectualized, are the securities offered under it worth buying? Would stockholders best serve their own interests by "staying through" the reorganization under the terms provided? It is not easy to say; and any statement in this connection must be largely a guess.

Disregarding the present market prices of the preferred and common stocks of the Old Company, which are negligible, the terms of the reorganization provide that the holder of 10 shares ($1,000 par value) of Old Preferred shall pay into the reorganization the sum of $1,000, or the equivalent of $100 per old share. The holder of 100 shares (no par value) of Old Common shall pay in a total of $490, or an average of $4.90 per old share. In other words, both old stocks must pay the same figure for new shares, but the Old Preferred is entitled to a larger participation.

The funds forthcoming under this plan, amounting to about 16 millions, will be utilized in discharging existing indebtedness, amounting to approximately $20,000,000. In other words, if all the stockholders of the Old Company purchase shares in the new companies, under the terms specified, approximately sufficient cash will be provided to permit Columbia to pay about 75c. on the dollar.

In return for "following through," preferred shareholders will receive approximately a one-third interest in each of the two new companies to be formed, while the common shareholders will receive approximately a one-fifth interest.

It may be assumed that the new companies will be provided with a reasonable amount of working capital. If the plan is successful, existing indebtedness, imposing an annual fixed charge on the old company of about $1,340,000, will be transformed into voting trust certificates for approximately 75,000 shares of stock in each of the two new companies which, of course, will bear no fixed interest or dividend charge. The Operating Company will be relieved of the drains represented by excess plant space and excess stocks in hand which drains were, in large measure, responsible for the downfall of the Old Company. The management will be free to concentrate its energies upon the development of the Operating Com-

pany, improving its product, rebuilding and strengthening its sales organization, etc.

So far as the Liquidating Co. is concerned, it should, by reason of the provisions surrounding it, be able to convert what are now "frozen values" into actual values in a far more orderly and remunerative fashion than would be possible under the pressing conditions now existing.

These facts are all encouraging. Considered in connection with the general confidence expressed in the present personnel of the Columbia management, there is reason to believe that, over the long pull, Columbia's affairs will be ironed out in a manner advantageous to the shareholders who "follow through."

The qualifying factor in the situation seems to be this: That 50% of the "values" an old shareholder will receive by following through will consist in his proportionate interest in the Liquidating Company. Since this company's holdings will be made up of surplusage, of various sort, of which Columbia has little present use, it is not an unwarranted assumption that marketing difficulties will be encountered in the effort to dispose of same which may incur a long, tedious wait.

Considering all the known facts together, the proposition resolves itself into the question of whether the activities of the Operating Company, free of debt, without hindering influences, under an efficient management and on a safe and sane production schedule, can be made profitable enough to compensate following-through stockholders during the waiting period (in respect of their interest in the Liquidating Company) which they face. The chances seem about even, with a tendency toward the optimistic view. **Therefore, the new securities offered under the Reorganization Plan may be called not unreasonably speculative for those who possess time and patience and who can forego income from their holdings during the reformative period, although quite unattractive to all others.**

PROSPECTS FOR THE LEADING TRUNK LINE SYSTEMS

(*Continued from page* 23)

the figure for 1922. Earnings are running at the rate of about $15 per share.

At the time the recent dividend was declared President Willard expressed the opinion that Baltimore & Ohio had come back as a steady dividend payer. Even were a substantial decline in traffic to occur there is every reason to believe that the company could support its present rate. It has tremendous maturities falling due in 1925, but in its present financial condition should experience no serious difficulties in carrying through a refunding program.

The stock from an income viewpoint is one of the most attractive of the railroad list and will offer a good investment opportunity when general market conditions improve.

IS FRENCH PROSPERITY SOUND?

(*Continued from page* 21)

eighteenth century, and Germany from 1870 till the war.

The industrialization of France, therefore, according to all precedent, would mean an increased population and a potentially larger army, and thus would have its advantges from the point of view of "Realpolitik" as well as of business.

If we are to understand the trend of France as a trend away from agriculture and toward industry, in harmony with the trend in all the other great nations, and the winning of the Ruhr and Rhine territories as an episode in this process of industrialization, we can see how the French fiscal policy for the past ten years was and is the only sensible one, on the assumption that Europe will never again be what it was.

Looking at the subject from this point of view, the so-called "reparations problem" disappears entirely. There will be no point in trying to collect reparations from "Germany" if the new "Germany" is to have the same relation to the old one that the new "Austria" has to the old Austria. On the other hand, it will scarcely be necessary, as the impetus given by the new industrialization will keep France expanding and developing and piling up profits on profits for years to come. This does not mean that "reparations" will not remain a good talking point to help obtain more solid benefits.

This is the other side of the picture—the side as seen by France, meaning by France that section of French economic interests which is able to make its desires articulate. It is clear that a successful outcome of this policy depends on a long string of "supposes" and "whereases," some of which have been indicated above.

In the meantime, the pressure on French finances becomes heavier and heavier, and will continue to become heavier for a long time until the expected benefits materialize. Until then, it is a race between the devil and salvation, and a race that is likely to last for years, for international policy thinks in terms of generations where business thinks in terms of seasons.

A Huge Gamble

The French fiscal policy is a huge gamble for heavy stakes. If it loses out, it will be unable to resist the whirlpool-like attraction of inflation, and the franc will go down and down. That the franc should go up within the near future is inconceivable. France dares not deflate, and be left to carry the burden of its enormous bond issues with an appreciating currency. An illustration will make the point clear.

Let us say that the French internal debt amounts to 300 billion paper francs, each worth a third of a gold franc. Let us suppose that the per capita taxation necessary to take care of this debt is about 300 francs annually, while the average earnings per capita amount to 3,000 francs annually. Should the franc go to

par, prices and wages would be cut to a third of their present levels. On the other hand, bond interest would remain the same, except in the event of repudiation, which is certainly not possible so long as the Government is compelled to appeal to its citizens for fresh funds every year to balance its budget. This would mean that a tax on account of debt service of 300 francs will be taken from average earnings of 1,000 francs. If it were possible, this would mean such a reduction of the consumer's purchasing power as would impoverish the country instantly.

France cannot, therefore, deflate within the near future. In fact, when the suggestion was made at the Brussels Conference of 1920, that France mark down the franc heavily and bring the devalued currency up to gold parity, the proposal was refused. On the other hand, the growing burden of the debt is a constant temptation to inflation, and a mild degree of inflation may be said to prevail at the present time.

Taking the illustration used some paragraphs back, if the paper franc, instead of being increased in value from ⅓ of a gold franc to 1 gold franc, were reduced in value to ¹/₉ of a gold franc by inflation, prices and wages would be tripled, roughly speaking, but bond interest would remain the same. The per capita tax for debt service of 300 francs would be taken from a per capita average earning power of 9,000 francs annually, which is easier than taking it out of 3,000 francs annually.

For the near future, therefore, France's prosperity presents great risks with little to counterbalance them. Many years from now, if the calculations of official France are right, an industrialized and rejuvenated France may be able to laugh at its present debt burdens, just as England after the Napoleonic Wars could laugh at the huge increase in the national debt which terrified the statesmen of the early nineteenth century.

In either case, the present apparent prosperity of France rests on shifty foundations, and is not to be taken too seriously. It depends partly on the low rate of taxation, partly on the Government's ability to raise the needed funds by borrowing from the small French investor, partly on the slow fall in the exchange value of the franc which has enabled French exporters to compete more effectively, partly on the elimination of much of the German and English competition. So far as can be seen now, however, it does not rest on a real improvement in the economic fundamentals of France, which have been sketched above.

HOW DECLINE OF FOREIGN CURRENCY VALUES AFFECTS BANKS

(*Continued from page* 58)

for hoarding. Persons who want to lay by something against a time of danger or difficulty feel the need of a stable currency in which to do their hoarding even more than those who want to find some stable medium which they can use to exchange for commodities. Thus home cur-

rencies are gradually being superseded in a number of European countries, so far as real transactions are concerned, by dollars.

Effect of Negotiations

The question whether the negotiations which are now being undertaken at the suggestion of Lord Curzon, through his correspondence with Mr. Hughes, will result in correcting this currency situation is about the most interesting phase of it from the immediate point of view of the banking public.

As things stand, we are losing an enormous amount of good business through our inability to finance purchases from abroad in the currencies of countries which order the goods. The result is that our operations are closely tied down to those which can be handled in dollars, while the smaller banks of the country are not in position to undertake dealings in foreign currencies under any circumstances, because of the severe risk which is involved in such action.

All this means that the restoration of some kind of a stable currency basis for international trade is very urgent from the standpoint of the American bank, whether small or large, and in fact is so recognized. The outcome of the work of such a commission as is now presumably to be summoned to meet in Berlin should be among the very earliest phases, the development of a programme for the eventual and effective stabilization of exchange rates; and, should the plan so proposed be one that inspires confidence in the financial community, its operation should have a very prompt effect in bringing back legitimate trading in foreign exchange and the discounting of bills stated in currencies other than our own. This would stimulate export trade as perhaps nothing else could, besides restoring a very profitable element of business whose loss has been decidedly felt by the banks within past months.

Such a restoration of soundness or reliability in currency units would probably follow from the development of a responsible reparations plan whose working could be counted upon with certainty, inasmuch as such a plan would enable bankers to calculate the probable movements of exchange upon bases somewhat similar to those which existed under the pre-war régime.

TRADE TENDENCIES

(*Continued from page* 63)

however, very few producers can operate profitably. The result has already been seen in the suspension of mining activity in some localities. The outstanding feature is that most North American producers are unable to compete with South American companies owing to the fact that the latter are able to create at a very low cost. Therefore, we have a situation in which some companies are able to make money with copper even as low as 12 cents, while others are forced to curtail their mining operations.

For the reason for the decline in the

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With analysis of Atchison, Crude Oil situation and general information. (274)

A QUESTION ANSWERED
An extremely interesting illustrated booklet explaining how a stock exchange firm handles out of town business. It shows how orders are treated from the time the letter arrives to the final placing of the certificates purchased. (278)

ELECTRIC BOND & SHARE CO.
Send for interesting market letter on this company. (281)

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The exceptional profit possibilities in Stock Options and their uses to supplement margin and for protection against losses in the Stock Market fully explained in a free circular. (284)

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A description of a security which not only embodies the safety of bonds, but the profit participation of high-grade common stocks, is outlined in a short, plainly written circular, which will be sent free on request. (285)

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An interesting booklet describing a striking plan for investing while you save. Ask for a copy—the booklet contains something worth while. (286)

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Some bonds and a large number of preferred and common stocks with Moody's Ratings, and in a good position marketwise, are recommended in a circular issued by an old established stock exchange house. (287)

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By reading this timely booklet but ten minutes a week you will be able to judge the market more accurately. Sent for 3 months without charge. (290)

THE GUARANTEED WAY TO INDEPENDENCE
The many attractive features in the ownership of First Mortgage Guaranteed Bonds are described in this free booklet. Send for 291.

THE SAFETY OF SAVINGS
Wouldn't you like to get 6% for your money and know that it is placed in an institution equally as safe as a savings bank? Send for this interesting booklet No. 293.

CONCRETE HIGHWAY MAGAZINE
A highly interesting illustrated magazine devoted to concrete roads, streets and alleys. (294)

price of copper, one must look to two influences—one, the unsettlement in Europe which is normally a heavy consumer of the metal, and second, the lowered rate of building and other industrial activity in this country, especially where such operations normally consume large quantities of copper.

The outlook is particularly poor, so far as can be seen at present, and the final outcome is likely to be that few North American producers will be able to stand competition with their low-cost competitors in South America and elsewhere. This probably marks a turning point in the copper industry of the United States.

Other metals such as zinc and lead are suffering from a lack of demand and are steadily seeking lower levels.

PHILADELPHIA ELECTRIC COMPANY

(Continued from page 48)

tion the future prospects of similar opportunities are indicated by the following from the annual report:

"Your management feels that from time to time as conditions warrant, there should be available a channel, in addition to the issue and sale of bonds, from which a part of the financial needs of your company can be provided. By the issue of additional stock from time to time the stockholders are afforded opportunity for further investment in the property, thus enabling them to participate to the greatest extent possible in the benefits accruing from its growth."

At the 1922 meeting of stockholders authority was given the corporation to increase the limit of its indebtedness from $60,000,000 to $150,000,000, and under that there was issued under the First Lien and Refunding Mortgage, created December 1, 1921, $7,500,000 of bonds bearing interest at the rate of five and a half per cent. It is apparent from the above statement of policy, however, that it is to be the practice of the company to issue additional stock from time to time, to which present holders will have the opportunity to subscribe at par.

Prospects

The prospects for a great increase of future business have never been brighter. Recently the corporation has closed contracts to supply additional energy to the Philadelphia Rapid Transit Company, the Pennsylvania Railroad Company and other non-affiliated public utilities. Its Delaware station is sending power across the river to utilities in New Jersey. Philadelphia citizens will vote this month on a two hundred million dollar subway-elevated rapid transit project, for all of which energy will be supplied by Philadelphia Electric. This alone will mean a tremendous increase. **For the last two years the net earnings of the corporation have been over two and three quarter times the total annual bond interest charges, and there is every reason to expect that this record, and the present dividend rate, will be maintained.**

THE HIGH COST OF SELLING A HOME

(*Continued from page* 42)

these factors were present, the costs itemized could not have been incurred.

In the first place, these factors do not always exist. Home-owners often have rent-payers living in their homes—in which event, the rent-payers, not the owners, must bear the expense of moving out. Home-owners who have been residents often sell their homes furnished—in which event there is no moving out. Finally, home-owners, after a sale, often make their next dwelling place a temporary abode, secured by rental—in which event no new property is purchased and no new mortgage loan has to be effected.

In any event, the costs involved in moving *from* one home and *to* another should not, we think, be deducted from the selling price of the original home. Instead, if they are to be considered at all, they should be added to the expenses incident to purchasing and moving into the new home.

THE BANKING SITUATION

(*Continued from page* 59)

these circumstances, it is not strange that Secretary Mellon is again reported as expressing the opinion that no changes in discount rates will occur this year. The whole subject of Reserve Bank discount rates is to be taken under advisement at a general conference of the Reserve system on November 12th, and what will come out of these discussions cannot of course positively be predicted. There is, however, a considerable element in the reserve system which, ever since last spring, has steadily urged the advancing of discount rates and is understood to be still in favor of such action, in order that the system may be prepared for possible demands that may be brought to bear upon it after the turn of the year. The argument however in favor of high rates is partly offset by the continued prevalence of relatively low rates in the call money market.

In fact, low rates for call money have been an unusually outstanding feature of the stock market when the season of the year is considered. Remembering that these rates have been only 4 to 4½% most of the time, with occasional advances for a short period only, above the latter figure, it can be understood that the course of events during recent weeks has not reflected the usual autumn demand for cash.

As a result, increases in rates which had been confidently expected, have not materialized, although time money and commercial paper have maintained themselves fairly steadily at the higher figures which had been established about the beginning of October. In these circumstances, the movement of bond prices toward slightly higher levels and the ability of special issues of bonds which had previously

shown weakness, to hold their own, is explained. These conditions tend to stimulate investment in bonds which is always inclined to greater activity upon a slightly rising market. In spite, therefore, of the fact that banks have in some cases "dumped" their investment holders in order to avoid rediscounting, market conditions have held their own well; and now there is a return movement of bank funds into the bond market which is due to the desire to keep funds at work notwithstanding that they are released from employment in commercial loans to customers. As things now stand, the banking situation must be regarded as exceptionally strong and liquid for this season of the year, although there are some parts of the country in which expansions of credit have occurred that seem likely to result in a "carry-over" into next year as a result of renewals, partly due to the withholding of crops with a view to higher prices. The relation of the banks to the investment market seems more likely to be one of support than it has lately been, and this prospect stimulates the opinion that bond prices are now headed upward even though only at a relatively slow rate.

A Sensational Stock Market Episode

How an Original Investment of $15,000 in Congoleum Grew Over $100,000 Larger

LISTING of Congoleum shares on the New York Stock Exchange rivets attention upon one of the phenomenal stock-market episodes of recent times.

Congoleum was originally issued (in June, 1919) at $25 per share. The company's business—astutely handled by what must be accepted as being one of the few managements to which the term "aggressive" may be confidently applied—grew by leaps and bounds. The management gave the stockholders the full benefit of this growth, extending them three successive opportunities to subscribe to new stock allotments, all on highly favorable terms. But at no time were the capital increases found to be out of proportion to the increasing volume of business and profits. As a result, each new allotment, as subscribed for, aroused increasing investment confidence, enjoyed a larger, rather than a smaller, dividend income and carried the average value of a commitment up rather than down. The whole result was that original and "following-through" stockholders saw their commitments, costing them, *in toto* and on an original 100-share basis, less than $15,000 rise in value (at the recent stock-market price of $148 per share) to no less than $117,000. In other words, total investment of $15,000 has risen in value to a figure over $100,000 higher!

Since the last stock allotment, announcement has been made of the management's intention to split up Congoleum common, through the stock-dividend route, on a basis of 4 to 1. That is to say, a 300% stock dividend is contemplated and will undoubtedly go through. The news of the split-up is accompanied by well-defined reports that earnings for this year will average about $16 per share on the present 240,000 shares of stock. It is also stated that, following the 300% stock dividend, the new shares will be placed on a $3 dividend basis. In this event, the present stock, at 148, is selling at the equivalent of 37 for the new stock; and the new stock, at that price, would be on a yield basis of 8.10%. Also, on the earnings rate cited above, earnings per share on the new stock for this year would be the equivalent of about $4.

From the time when Congoleum first aroused market interest up to very recently the issue was repeatedly recommended for investment by our Over-the-Counter Department. Developments have emphasized the excellence of this recommendation. The investment appeal of the issue today, however, can hardly be said to be so great as it has been; a wider margin of earnings over dividend requirements would be desirable, even in the case of so conspicuous a success as the Congoleum Co.

STOCK MARKET SUDDENLY TURNS UPWARD

(*Continued from page* 13)

preserved on the upturn, we should expect business to decline for some months while the stock market is improving, just as it did in 1921 and just as it has done on innumerable previous occasions. Remember the old illustration of the arrow in making its ascent and descent; how the feathers are still going up while the point has begun to go down? Well, in just that way the point of the arrow has apparently turned up while the feathers are still declining. We have no reason to expect anything else.

By the time business shows strong signs of reviving the stock market should have made a material step towards its ultimate high level. It is natural, therefore, to anticipate that sometime during the winter or spring business will begin to show a marked improvement. If it should come before that time so much more bullish will be the indications.

Industries like petroleum, tires, leather, fertilizer and others, which have been extremely depressed, may take more time in their recovery than those like the automobile, steel, railroad equipment, etc., which have not gone so far on the down grade. Industries are much like individuals: Some are young, active and physically strong; others are suffering from illness, accident, chronic diseases and other handicaps, physical and mental, which cause them to fall back in the race for supremacy; hence, it is not unreasonable to expect that while certain issues are bounding forward others will be meeting with difficulties and their quotations will be lower.

AMERICAN BOSCH MAGNETO CORP.

(*Continued from page* 37)

present time is beset with complications. There is a suit pending by the United States Government to set aside the original sale of the Bosch Magneto Company sale on the ground of fraud and of non-citizenship of the purchaser. A suit to dissolve the company and restore control to the pre-war owners, with damages of 2 millions, has been filed in the New York Supreme Court by a resident of Germany who held 90 out of the 250 shares of the original Bosch Magneto Co. Since then a special grand jury of the District of Columbia adjudged the sale of the company by the Alien Property Custodian to have been fraudulent, and further prosecution in the State of New York by the United States Government is apparently pending. A Federal Grand Jury has also returned indictments against one of the original purchasers of the company and against the former director of sales of the Alien Property Custodian's office at the time of the sale.

This complicated legal situation, and the unlikeliness of any dividend payments on the common within a reasonable length of time, make the common

stock exceedingly unattractive around present prices of 23. It has had sharp speculative movements in the past, but it would not be wise to include such elements in one's estimate of the probable value of the stock at the present time.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Payable
$5	Amer Can com.....	$1.25	Q	10-31	11-15
6%	Amer Cigar com....	1½%	A	10-15	11- 1
$4	Am Coal of Al. Cy	$1.00	Q	10-11	11- 1
7%	Amer Elec Pwr pfd	1¾%	Q	10-31	11-15
6%	Amer Gas & El pfd	1½%	Q	10-13	11- 1
10%	Amer La Fr F E..	2½%	Q	11- 1	11-15
$3	Amer Metal com...	75c	Q	11-17	12- 1
$7	Amer Metal pfd....	$1.75	Q	11-19	12- 1
—	Beechnut Pkg (stk)	50%	—	12- 1	12-10
7%	Bethle Stl 7% pfd	1¾%	Q	12-15	1- 2
8%	Bethle Stl 8% pfd	2%	Q	12-15	1- 2
$8	Brooklyn Edison...	$2.00	Q	11-20	12- 1
$8	Burns Bros Cl A c	$2.00	Q	11- 1	11-15
—	Burns Bros Cl A c	50c.	ext	11- 1	11-15
$8	Cent R R of N J ..	$2.00	Q	11- 7	11-15
7%	Cen Rib Mills pfd.	1¾%	Q	11-15	12- 1
$5	Cluett Peabody com	$1.25	Q	10-20	11- 1
$7	Clinchfield Coal pfd	$1.75	Q	10-26	11- 1
$4	Colombian Carbon..	$1.00	Q	10-20	11- 1
$2.60	Col Gas & Elec....	65c	Q	10-31	11-15
—	Congol Co. (stock).	300%	..	.....	.....
$3	Cushmann S Inc c..	75c	Q	11-30	12-15
4%	Dominion Bridge...	1%	Q	10-30	11-15
$12	Edison El Il Co...	$3.00	Q	10-15	11- 1
6%	Elec Bond & Sh pfd	1½%	Q	10-15	11- 1
7%	Esmond Mills pfd..	1¾%	Q	.....	11- 1
6%	Esmond Mills com.	1½%	Q	.....	11- 1
6%	Fed Sug Ref pfd..	1½%	Q	10-22	11- 1
5%	Fed Sug Ref com..	1¼%	Q	10-22	11- 1
—	Ford Motor of Can	10%	..	11- 5	11-15
8%	Great Lakes D & D	2%	Q	11- 8	11-15
12%	Hamilton Brown Sh	1%	Mo	10-22	11- 1
$3	Hayes Wheel.......	75c	Q	11-30	12-15
7%	Hercules Pow pfd..	1¾%	Q	11- 5	11-15
12%	Hollinger C G M..	1%	Mo	10-18	11- 1
$3	Household Products	75c	Q	11-15	12- 1
10%	Hupp Motor Car...	2½%	Q	10-15	11- 1
$7	Independ Brew pfd	$1.75	Q	10-19	10-31
$8	Indiana Pipeline....	$2.00	Q	10-19	11- 1
$7	Ipswich Mills pfd..	$1.75	Q	10-25	11- 1
8%	Kinney G R pfd...	2%	Q	11-20	12- 1
7%	Lancaster Mills pfd.	1¾%	Q	10-25	11- 1
10%	Lancaster Mills com	2½%	Q	11-23	12- 1
8%	Lake Shore Mines..	2%	Q	11- 1	11-15
8%	Lehigh Coal & Nav	2%	Q	10-31	11-30
4%	Loews Boston Thea	1%	Q	11- 3	11-15
6%	Lord & Tay 1st pfd	1½%	Q	11-17	12- 1
$10	Lowell Elec Light.	$2.50	Q	10-24	11- 1
—	Lowell Elec Light.	$5.00	Ext	10-20	12- 1
$3	Munsingwear Inc...	75c	Q	11-20	12- 1
$7	Nash Motors pfd..	$1.75	Q	10-19	11- 1
$3	Natl Biscuit com..	75c	Q	12-31	1- 2
8%	Natl Carbon.......	2%	Q	10-23	11- 1
7%	Natl Dept St 1st pfd	1¾%	Q	10-15	11- 1
7%	Natl Dept St 2d pf.	1¾%	Q	10-15	11- 1
$4	Natl Enam & S com	$1.00	Q	.....	.....
$7	Natl Enam & S pfd	$1.75	Q	12-11	12-30
$4	N Y Air Brake pfd.	$1.00	Q	12- 2	1- 2
7%	Norfolk & W com..	1¾%	Q	11-30	12-19
—	Norfolk & W com.	1%	Ext	11-30	12-11
$6	Pacific Gas & El pfd	$1.50	Q	10-31	1-10
7%	Pacific Pr & Lt pfd	1¾%	Q	10-18	11- 1
$3	Penn Railroad......	75c	Q	11- 1	11-30
$6	Pittsbgh & W Va pf	$1.50	Q	11- 1	11-30
7%	Portland G & Coke	1¾%	Q	10-18	11- 1
$3	Postum Cereal com.	75c	Q	10-20	11- 1
—	Producers & Ref pfd	87½c	—	11- 3	11- 5
$2	Pullman Co.......	$2.00	Q	10-31	11-15
$1.50	Pure Oil Co com...	37½c	Q	11-15	12- 1
6%	Quaker Oats pfd...	1½%	Q	11- 1	11-30
7%	Roxbury Carpet pfd	1¾%	Q	10-27	11- 1
—	Salt Creek Prod....	20c	—	10-15	11- 1
—	Salt Creek Prod....	20c	Ext	10-15	11- 1
4%	Kress S H com....	1%	Q	10-20	11- 1
$6	Shell Union Oil pfd	$1.50	Q	11- 3	11-15
$7	Simmons Co pfd...	$1.75	Q	10-15	11- 1
5%	Southern Rwy pfd..	2½%	SA	10-20	10-31
$5	Standard Milling c..	$1.25	Q	11-20	11-30
$6	Standard Milling pf	$1.50	Q	11-20	11-30
—	Sterling Pdts......	$1.00	Ext	11-20	12- 1
—	Sterling Pdts......	$1.00	Q	10-15	11- 1
$10	Stewart-Warner ...	$2.50	Q	10-31	11-15
12%	United C Sts com..	3%	Q	10-16	.....
5%	U S Cast I P pfd..	1¼%	Q	12- 1	12-15
—	U S Cast I P pfd..	2%	Ext	12- 1	.....

DIVIDENDS

October 30th, 1923.

To the Stockholders of the
NATIONAL ENAMELING & STAMPING COMPANY, INC.

Your Directors beg leave to advise that they have this day declared a quarterly dividend of one per cent (1%) on the outstanding COMMON SHARES of the company to the stockholders of record at close of business November 9th, 1923, payable on November 30th, 1923. Checks will be mailed on the day preceding said date.

NATIONAL ENAMELING & STAMPING CO., INC.
Hayward Niedringhaus, Secretary.

CHILE COPPER COMPANY

The Directors have this day declared a distribution of 62½ cents per share on the capital stock of the Company, payable December 29, 1923, to stockholders of record at the close of business on December 1, 1923.

C. W. WELCH, Secy.
New York, October 23, 1923.

(*Continued from page 29*)

lions, not unduly large in view of the company's inventories of 11.3 millions.

For the first six months of this year Cluett Peabody earned 26½% on the preferred stock which compares with 32.7% for the full 1922 year. The company has followed a conservative dividend policy on the common stock and as a result is rapidly strengthening its financial condition. Working capital as of June 30th, 1923, was 12.6 millions, more than 4 millions in excess of the preferred stock outstanding. Excluding good-will, which represents real value in view of the company's extensive advertising, net assets as of June 30th, were equal to over $200 a share on the preferred.

CUBAN AMERICAN SUGAR Cuban American Sugar is one of the lowest cost producers of this commodity and under anything like normal conditions for the industry is in a position to show a substantial profit. There are 7.9 millions 7% preferred stock outstanding, preceded by 9 millions funded debt. For the year ended December 30th, 1922, 25.6% was earned on the preferred stock. In the current fiscal year, however, profits were very much larger due to the higher prices prevailing for sugar, and it is expected that close to 100% will be earned on the preferred stock. The last balance sheet available as of December 30th, 1922, showed bank loans of 4.4 millions but the large profits accruing to the company this year have wiped these out. Working capital at the present time is probably in the neighborhood of 18 millions or in excess of the bonds and preferred stock outstanding.

BROWN SHOE Brown Shoe Company 7% preferred stock is outstanding to the extent of 5 millions. There is no funded debt. As of October 31st, 1922, working capital of the company was 9 millions. For the six months ended April 30th, 1923, 13% was earned on the preferred stock which compares with 24% earned for the full 1922 year. This company is one of the largest shoe manufacturers in the world, having 13 plants, located principally in Missouri and Illinois. As of October 31, 1922, net tangible assets were equal to $175 a share on the preferred stock.

AMERICAN STEEL FOUNDRIES Since the war, American Steel Foundries has greatly strengthened its position. Funded debt has been entirely eliminated and working capital more than doubled. As a result, the company's 7% preferred stock is in an unusually strong position. There are only 8.3 millions outstanding and working capital of the company alone is in excess of 15 millions. The company's earnings fluctuate rather widely depending on general business conditions, but the average earning power on the preferred stock is now so high that this is of little importance. For the first six months of this year, the company earned 40% on the preferred stock which compares with 37% for the full 1922 year.

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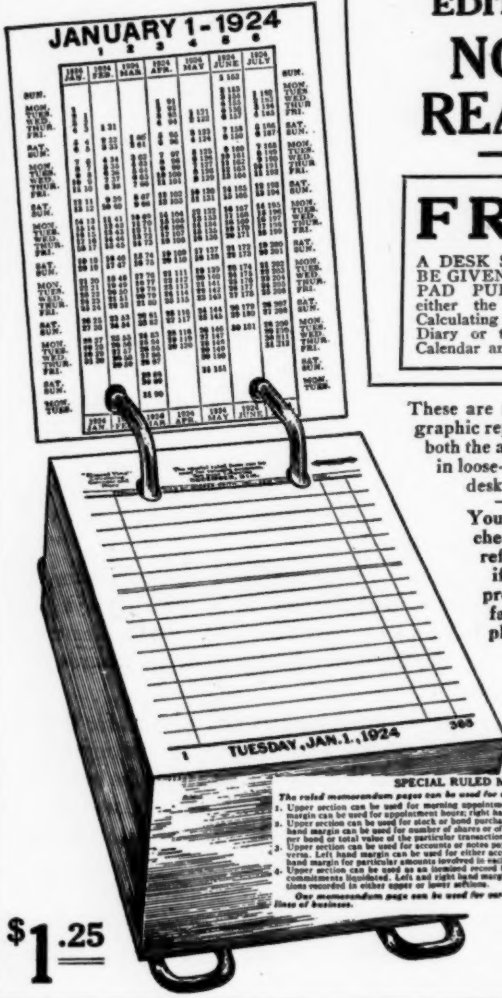

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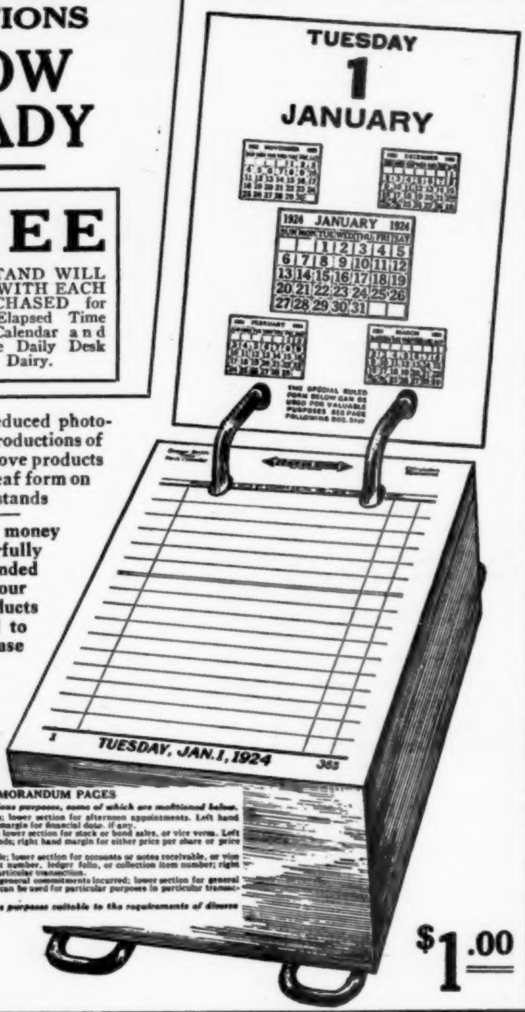

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EXAMPLE ↓

NOTICE ↓

WHEN DOES A MATURITY FALL DUE IF INSTRUMENT IS DATED JANUARY 1, 1924, AND DUE AS FOLLOWS:

QUESTION	ANSWER
1—30 days from date?	Thurs., Jan. 31st, 1924
2—70 days from date?	Tues., March 11th, 1924
3—90 days from date?	Mon., March 31st, 1924
4—1 month from date?	Fri., Feb. 1st, 1924 (31 days)
5—3 months from date?	Tues., April 1st, 1924 (91 days)
6—4 months from date?	Thurs., May 1st, 1924 (121 days)

Our Daily Desk Calendar and Diary is the result of our concentrated efforts to improve upon modern loose-leaf desk calendar diaries; and, consistent with our usual thoughts along calculation lines, we have produced the articles here shown.

★ ***This CALCULATING Calendar and Diary is an aid towards computing Elapsed Time, maturity dates or number of days from one date to another date***

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